Form **8038**
(Rev. January 2002)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Private Activity Bond Issues

(Under Internal Revenue Code section 149(e))
▶ See separate instructions.

OMB No. 1545-0720

Part I Reporting Authority — Check if **Amended Return** ▶ ☐

1 Issuer's name: New York City Industrial Development Agency	2 Issuer's employer identification number: (Ex. 1)
3 Number and street (or P.O. box if mail is not delivered to street address): 110 William Street — Room/suite	4 Report number: 1
5 City, town, or post office, state, and ZIP code: New York, New York 10038	6 Date of issue: July 31, 2002
7 Name of issue: Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) Series 2002A and 2002B	8 CUSIP number: 64971SBJ7
9 Name and title of officer or legal representative whom the IRS may call for more information: Richard E. Marshall, Vice President for Legal Affairs	10 Telephone number of officer or legal representative: (212) 312-3534

Part II **Type of Issue** (check the applicable box(es) and enter the issue price for each)

		Issue Price
11	Exempt facility bond:	
a ☒	Airport (sections 142(a)(1) and 142(c))	11a 475,108,200.00
b ☐	Docks and wharves (sections 142(a)(2) and 142(c))	11b
c ☐	Water furnishing facilities (sections 142(a)(4) and 142(e))	11c
d ☐	Sewage facilities (section 142(a)(5))	11d
e ☐	Solid waste disposal facilities (section 142(a)(6))	11e
f ☐	Qualified residential rental projects (sections 142(a)(7) and 142(d)), as follows:	11f
	Meeting 20-50 test (section 142(d)(1)(A)) ☐	
	Meeting 40-60 test (section 142(d)(1)(B)) ☐	
	Meeting 25-60 test (NYC only) (section 142(d)(6)) ☐	
	Has an election been made for deep rent skewing (section 142(d)(4)(B))? ☐ Yes ☐ No	
g ☐	Facilities for the local furnishing of electric energy or gas (sections 142(a)(8) and 142(f))	11g
h ☐	Facilities allowed under a transitional rule of the Tax Reform Act of 1986 (see instructions)	11h
	Facility type _____	
	1986 Act section _____	
i ☐	Qualified enterprise zone facility bonds (section 1394) (see instructions)	11i
j ☐	Qualified empowerment zone facility bonds (section 1394(f)) (see instructions)	11j
k ☐	District of Columbia Enterprise Zone facility bonds (section 1400A) (see instructions)	11k
l ☐	Qualified public educational facility bonds (sections 142(a)(13) and 142(k))	11l
m ☐	Other. Describe (see instructions) ▶ _____	11m
12 ☐	Qualified mortgage bond (section 143(a))	12
13 ☐	Qualified veterans' mortgage bond (section 143(b)) ▶	13
	Check the box if you elect to rebate arbitrage profits to the United States ☐	
14 ☐	Qualified small issue bond (section 144(a)) (see instructions) ▶	14
	Check the box for $10 million small issue exemption ☐	
15 ☐	Qualified student loan bond (section 144(b))	15
16 ☐	Qualified redevelopment bond (section 144(c))	16
17 ☐	Qualified hospital bond (section 145(c)) (attach schedule — see instructions)	17
18 ☐	Qualified 501(c)(3) nonhospital bond (section 145(b)) (attach schedule — see instructions)	18
	Check box if 95% or more of net proceeds will be used **only** for capital expenditures ▶ ☐	
19 ☐	Nongovernmental output property bond (treated as private activity bond) (section 141(d))	19
20 ☐	Other. Describe (see instructions) ▶ _____	20

Part III **Description of Bonds** (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	August 1, 2028	$ 475,108,200.00	$ 500,000,000.00	18.2077 years	8.983171 %

Part IV Uses of Proceeds of Issue (including underwriters' discount)

					Amount
22	Proceeds used for accrued interest			22	3,491,666.67
23	Issue price of entire issue (enter amount from line 21, column (b))			23	475,108,200.00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	6,500,000.00		
25	Proceeds used for credit enhancement	25	0.00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	47,510,820.00		
27	Proceeds used to currently refund prior issue (complete Part VI)	27	0.00		
28	Proceeds used to advance refund prior issue (complete Part VI)	28	0.00		
29	Add lines 24 through 28			29	54,010,820.00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	421,097,380.00

Part V Description of Property Financed by Nonrefunding Proceeds

Caution: *The total of lines 31a through e below must equal line 30 above. Do not complete for qualified student loan bonds, qualified mortgage bonds, or qualified veterans' mortgage bonds.*

31 Type of Property Financed by Nonrefunding Proceeds:		Amount
a Land	31a	0.00
b Buildings and structures	31b	343,025,861.00
c Equipment with recovery period of more than 5 years	31c	11,775,547.00
d Equipment with recovery period of 5 years or less	31d	
e Other (describe) Agency Financing Fee, State fee, land improvements	31e	66,295,972.00

32 North American Industry Classification System (NAICS) of the projects financed by nonrefunding proceeds.

	NAICS Code	Amount of nonrefunding proceeds		NAICS Code	Amount of nonrefunding proceeds
a	481111	$ 421,097,380.00	c		$
b		$	d		$

Part VI Description of Refunded Bonds (Complete this part only for refunding bonds.)

33 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ years

34 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ years

35 Enter the last date on which the refunded bonds will be called ▶

36 Enter the date(s) the refunded bonds were issued ▶

Part VII Miscellaneous

37 Name of governmental unit(s) approving issue (see the instructions) ▶ Mayor of the City of New York
Date of Hearing: November 12, 2001; Date of Approval:February 27, 2002

38 Check the box if you have designated any issue under section 265(b)(3)(B)(i)(III) ▶ ☐

39 Check the box if you have elected to pay a penalty in lieu of arbitrage rebate ▶ ☐

40 Check the box if you have identified a hedge (see instructions) ▶ ☐

41 Check the box if the issue is comprised of qualified redevelopment, qualified small issue, or exempt facilities bonds and provide name and EIN of the primary private user ▶ ☒
Name ▶ American Airlines, Inc. EIN (Ex. 1)

Part VIII Volume Caps

			Amount
42	Amount of state volume cap allocated to the issuer. **Attach copy of state certification**	42	N.A.
43	Amount of issue subject to the unified state volume cap	43	0.00
44	Amount of issue not subject to the unified state volume cap or other volume limitations:	44	500,000,000.00
a	Of bonds for governmentally owned solid waste facilities, airports, docks, wharves, environmental enhancements of hydroelectric generating facilities, or high-speed intercity rail facilities	44a	500,000,000.00
b	Under a carryforward election. Attach a copy of Form 8328 to this return	44b	
c	Under transitional rules of the Tax Reform Act of 1986. Enter Act section ▶	44c	
d	Under the exception for current refunding (section 146(i) and section 1313(a) of the Tax Reform Act of 1986)	44d	
45a	Amount of issue of qualified veterans' mortgage bonds	45a	
b	Enter the state limit on qualified veterans' mortgage bonds	45b	
46a	Amount of section 1394(f) volume cap allocated to issuer. **Attach copy of local government certification**	46a	
b	Name of empowerment zone ▶		
47	Amount of section 142(k)(5) volume cap allocated to issuer. **Attach copy of state certification.**	47	

Sign Here

Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of officer — Date: July 31, 2002

Carolyn A. Edwards — Name of above officer (type or print)

Deputy Executive Director — Title of officer (type or print)

(h) The agency, its members, officers, and employees, shall be subject to article fourteen of the civil service law and for all such purposes the agency shall be deemed the "public employer" and its members, officers and employees shall be deemed "public employees"; provided, however, that chapter fifty-four of the New York City Charter, chapter fifty-four of the Administrative Code of the City of New York, and executive order number fifty-two dated September twenty-ninth, nineteen hundred sixty-seven, issued by the Mayor of the City, shall apply to the agency, its members, officers and employees except that section eight of said executive order shall not be applicable. The agency shall establish general and special grievances as defined in chapter fifty-four of the Administrative Code of the City except as otherwise provided in collective bargaining agreements.

(i) The City shall have the power to make, or contract to make grants or loans, including but not limited to grants or loans of money, to the agency in such amounts, upon such terms and conditions and for such period or periods of time as in the judgment of the City and the agency are necessary or appropriate for the accomplishment of any of the purposes of the agency.

(j) The city shall have the power to condemn property for transfer to the New York City Industrial Development Agency under title one of article eighteen-A of this chapter upon the request of two-thirds of the members of the Board of Directors of the New York city industrial development agency. No property shall be condemned on behalf of the agency which is zoned "residential" as defined in the zoning resolution of the city, or which is occupied in whole or in part as a dwelling or residence.

(k) For the purpose of this section "governing body" as used in such title one of article eighteen-A of this chapter shall mean the Mayor of the City. Except as otherwise provided in this section, the agency, its members, officers and employees, and its operations and activities shall be governed by the provisions of title one of article eighteen-A of this chapter.

(l) The city shall save harmless and indemnify any person who is serving or has served as a director or officer or as employee of the New York City Industrial Development Agency against any financial loss arising out of or in connection with any claim, demand, suit or judgment, based on a cause of action involving allegations that pecuniary harm was sustained by any person as a result of any

or employee of such Agency unless such individual is found by a final judicial determination not to have acted in good faith for a purpose he reasonably believed to be in the best interests of the Agency or not to have had reasonable cause to believe that his conduct was lawful. Provided, however, that such individual must transmit to the corporation counsel of the city of New York any notice of claim, summons or complaint or other analogous paper served on him within ten days of its receipt unless prevented from doing so by compelling circumstances. The corporation counsel shall, without charge, represent any such individual unless unable to do so by reason of conflict of interest. In the event that the corporation counsel is unable to give such representation, the city of New York shall indemnify the individual for any reasonable litigation expense incurred by him.

(As amended L.1986, c. 905, § 4.)

Historical and Statutory Notes

1986 Amendment. Subd. (c). L.1986, c. 905, § 4, eff. Nov. 12, 1986, in sentence beginning "It shall only", inserted provisions relating to civic facilities. For expiration of this amendment, see note below.

Effective Date of Amendment by L.1986, c. 905; Expiration. Amendment of this section by L.1986, c. 905, eff. Nov. 12, 1986, and to remain in full force and effect until July 1, 1996, when provisions shall be deemed to be repealed, pursuant to L.1986, c. 905, § 5, as amended, set out as a note under § 854.

Rules of the City of New York

Office of business development grant programs, see 64 RCNY Chapters 3 to 5.

ARTICLE 18-A—INDUSTRIAL DEVELOPMENT

Title

1. Agencies, organization and powers.
2. Municipal industrial development agencies.
3. Area revitalization agencies.

TITLE 1—AGENCIES, ORGANIZATION AND POWERS

Section

850. Short title.
852. Policy and purposes of article.
854. Definitions.
856. Organization of industrial development agencies.
858. Purposes and powers of the agency.
859. Information reporting.
860. Moneys of the agency.
862. Restrictions on funds of the agency.
864. Bonds of the agency.
866. Notes of the agency.
868. Agreements of the municipality and state.
870. State and municipality not liable on bonds or notes.
872. Bonds and notes as legal investment.
874. Tax exemptions.
876. Tax contract by the state.
878. Remedies of bondholders and noteholders.
880. Actions against the agency.
882. Termination of the agency.
884. Public bidding.
886. Title not affected if in part unconstitutional or ineffective.
888. Inconsistent provisions in other acts superseded.

Cross References

Auburn industrial development authority, see Public Authorities Law § 2300 et seq.

Industrial aid bureaus of municipal corporations, see McKinney's Unconsol. Laws § 3601 et seq.

Job development authority—

Long Island, see Public Authorities Law § 1840 et seq.

New York, see Public Authorities Law § 1800 et seq.

Jurisdiction of public service commission over facilities governed by this article, see Public Service Law § 5-e.

New York state energy research and development authority, see Public Authorities Law § 1850 et seq.

Troy industrial development authority, see Public Authorities Law § 1950 et seq.

§ 850. Short title

This chapter may be cited as the "New York State Industrial Development Agency Act."

(Added L.1969, c. 1030, § 1.)

Section

858-a. Compensation, procurement and investment.
858-b. Equal employment opportunities.
859. Financial records.
859-a. Additional prerequisites to the provisions of financial assistance.
859-b. Special procedure for the provision of financial assistance to life care communities.
861. Notification of budget.
862-a. Additional restrictions on funds of the agency in connection with life care communities.
883. Conflicts of interest.

§ 850. Short title

Historical and Statutory Notes

Allocation of Statewide Ceiling for L.1993, c. 77; Chargeability: L.1993, c. 77, § 3, eff. June 1, 1993, provided: "Notwithstanding any provisions of this act [enacting provisions set out as notes under this section] to the contrary: (i) provided that a local agency or other issuer certifies to the commissioner of the New York state department of economic development on or before October 1, 1993 that it has issued private activity bonds described in this section and the amount thereof which used statewide ceiling, a commitment or allocation of statewide ceiling to a local agency or other issuer made to or so used by such local agency or other issuer pursuant to the federal tax reform act of 1986 [26 U.S.C.A. § 1 et seq.] on or after January 1, 1993 and prior to the date of enactment of this act, in an amount which exceeds the local agency set-aside established by section three of the private activity bond allocation act of 1993, as added by section two of this act, shall be first chargeable to the statewide bond reserve established pursuant to section five of the private activity bond allocation act of 1993, as added by section two of this act, and (ii) a commitment or allocation of statewide ceiling to a state agency made to or used by such agency pursuant to the internal revenue code, as amended, on or after January 1, 1993 and prior to the date of enactment of this act, shall be first chargeable to the state agency set-aside established pursuant to section four of the private activity bond allocation act of 1993, as added by section two of this act, and, thereafter, to the statewide bond reserve established by section five of the private activity bond allocation act of 1993, added by section two of this act."

Private Activity Bond Allocation Act of 1993: L.1993, c. 77, § 2, eff. June 1, 1993, provided: "The 'private activity bond allocation act of 1993' is hereby enacted to read as follows:

"PRIVATE ACTIVITY BOND ALLOCATION ACT OF 1993

"Section

"1. Short title.
"2. Definitions.
"3. Local agency set-aside.
"4. State agency set-aside.
"5. Statewide bond reserve.
"6. Access to employment opportunities.
"7. Overlapping jurisdictions.
"8. Ineligible local agencies.
"9. Municipal reallocation.
"10. Year end allocation recapture.
"11. Allocation carryforward.
"12. New York state bond allocation policy advisory panel.

"Section
"13. Expiration of certain provisions.
"14. Severability."

"§ 1. Short title. This act [enacting provisions set out as notes under this section] shall be known and may be cited as the 'private activity bond allocation act of 1993.'

"§ 2. Definitions. As used in this act, unless the context requires otherwise:

"1. 'Bonds' means bonds, notes or other obligations.

"2. 'Carryforward' means an amount of unused private activity bond ceiling available to an issuer pursuant to an election filed with the internal revenue service pursuant to section 146(f) of the code [26 U.S.C.A. § 146(f)].

"3. 'Code' means the internal revenue code of 1986 [26 U.S.C.A. § 1 et seq.], as amended.

"4. 'Commissioner' means the commissioner of the New York state department of economic development.

"5. 'Covered bonds' means those tax exempt private activity bonds and that portion of the non-qualified amount of an issue of governmental use bonds for which an allocation of the statewide ceiling is required for the interest earned by holders of such bonds to be excluded from the gross income of such holders for federal income tax purposes under the code.

"6. 'Director' means the director of the New York state division of the budget.

"7. 'Issuer' means a local agency, state agency or other issuer.

"8. 'Local agency' means an industrial development agency established or operating pursuant to article 18-A of the general municipal law [this article], the Troy industrial development authority, and the Auburn industrial development authority.

"9. 'Other issuer' means any agency, political subdivision or other entity, other than a local agency or state agency, that is authorized to issue covered bonds.

"10. 'Qualified small issue bonds' means qualified small issue bonds, as defined in section 144 (a) of the code [26 U.S.C.A. § 144(a)].

"11. 'State agency' means the state of New York, the New York state energy Port authority of New York and New Jersey, the power authority of the state of New York, the dormitory authority of the state of New York, the New York state housing finance agency, the state of New York mortgage agency, and any other public benefit corporation or public authority designated by the governor for the purposes of this act.

"12. 'Statewide ceiling' means for any calendar year the highest state ceiling (as such term is used in section 146 of the code) applicable to New York state.

"§ 3. Local agency set-aside. A set-aside of statewide ceiling for local agencies for any calendar year shall be an amount which bears the same ratio to one-third of the statewide ceiling as the population of the jurisdiction of such local agency bears to the population of the entire state. The commissioner shall administer allocations of such set-aside to local agencies.

"§ 4. State agency set-aside. A set-aside of statewide ceiling for all state agencies for any calendar year shall be one-third of the statewide ceiling. The director shall administer allocations of such set-aside to state agencies and may grant an allocation to any state agency upon receipt of an application in such form as the director shall require.

"§ 5. Statewide bond reserve. One-third of the statewide ceiling is hereby set aside as a statewide bond reserve to be administered by the director.

"1. Allocation of the statewide bond reserve among state agencies, local agencies and other issuers. The director shall transfer a portion of the statewide bond reserve to the commissioner for allocation to and use by local agencies and other issuers in accordance with the terms of this section. The remainder of the statewide bond reserve may be allocated by the director to state agencies in accordance with the terms of this section.

"2. Allocation of statewide bond reserve to local agencies or other issuers.

"a. Local agencies or other issuers may at any time apply to the commissioner for an allocation from the statewide bond reserve. Such application shall demonstrate:

"(i) that the requested allocation is required under the code for the interest earned on the bonds to be excluded from

remaining unused allocation, or any available carryforward will be insufficient for the specific project or projects for which the reserve allocation is requested; and

"(ii) that, except for those allocations made pursuant to section eleven of this act to enable carryforward elections, the requested allocation is reasonably expected to be used during the calendar year.

"b. In reviewing and approving or disapproving applications, the commissioner shall exercise discretion to ensure an equitable distribution of allocations from the statewide bond reserve to local agencies and other issuers. Prior to making a determination on such applications, the commissioner shall notify and seek the recommendation of the commissioner of housing and community renewal in the case of an application related to the issuance of multi-family housing or mortgage revenue bonds, and in the case of other requests, such state officers, departments, divisions and agencies as the commissioner deems appropriate.

"c. Applications for allocations shall be made in such form and contain such information and reports as the commissioner shall require.

"3. Allocation of statewide bond reserve to state agencies. The director may make an allocation from the statewide bond reserve to any state agency. Before making any allocation of statewide bond reserve to state agencies the director shall be satisfied:

"a. that the allocation is required under the code for the interest earned on the bonds to be excluded from the gross income of bondholders for federal income tax purposes;

"b. that the state agency's remaining unused allocation provided pursuant to section four of this act or any available carryforward will be insufficient to accommodate the specific bond issue or issues for which the reserve allocation is requested; and

"c. that, except for those allocations made pursuant to section eleven of this act to enable carryforward elections, the requested allocation is reasonably expected to be used during the calendar year.

"§ 6. Access to employment opportunities. 1. All issuers shall require that and with the administrative entity of the service delivery area created pursuant to the federal job training partnership act (P.L. No. 97-300) [29 U.S.C.A. § 1501 et seq.] in which the project is located. Such listing shall be in a manner and form prescribed by the commissioner. All issuers shall further require that for any new employment opportunities created in connection with an industrial or manufacturing project financed through the issuance of qualified small issue bonds by such issuer, industrial or manufacturing firms shall first consider persons eligible to participate in federal job training partnership act (P.L. No. 97-300) programs who shall be referred to the industrial or manufacturing firm by administrative entities of service delivery areas created pursuant to such act or by the job service division of the department of labor. Issuers of qualified small issue bonds are required to monitor compliance with the provisions of this section as prescribed by the commissioner.

"2. Nothing in this section shall be construed to require users of qualified small issue bonds to violate any existing collective bargaining agreement with respect to the hiring of new employees. Failure on the part of any user of qualified small issue bonds to comply with the requirements of this section shall not affect the allocation of bonding authority to the issuer of the bonds or the validity or tax exempt status of such bonds.

"§ 7. Overlapping jurisdictions. In a geographic area represented by a county local agency and one or more sub-county local agencies, the allocation granted by section three of this act with respect to such area of overlapping jurisdiction shall be apportioned one-half to the county local agency and one-half to the sub-county local agency or agencies. Where there is a local agency for the benefit of a village within the geographic area of a town for the benefit of which there is a local agency, the allocation of the village local agency shall be based on the population of the geographic area of the village, and the allocation of the town local agency shall be based upon the population of the geographic area of the town outside of the village. Notwithstanding the foregoing, a

"§ 8. Ineligible local agencies. To the extent that any allocation of the local agency set-aside would be made by this act to a local agency which is ineligible to receive such allocation under the code or under regulations interpreting the state volume ceiling provisions of the code, such allocation shall instead be made, to the political subdivision for whose benefit that local agency was created.

"§ 9. Municipal reallocation. The chief executive officer of any political subdivision or, if such political subdivision has no chief executive officer, the governing board of the political subdivision for the benefit of which a local agency has been established, may withdraw all or any portion of the allocation granted by section three of this act to such local agency. The political subdivision may then reallocate all or any portion of such allocation, as well as all or any portion of the allocation received pursuant to section eight of this act, to itself or any other issuer established for the benefit of that political subdivision or may assign all or any portion of the allocation received pursuant to section eight of this act to the local agency created for its benefit. The chief executive officer or governing board of the political subdivision, as the case may be, shall notify the commissioner of any such reallocation.

"§ 10. Year end allocation recapture. On or before October first of each year, each state agency shall report to the director and each local agency and each other issuer shall report to the commissioner the amount of bonds subject to allocation under this act that will be issued prior to the end of the then current calendar year, and the amount of the issuer's then total allocation that will remain unused. As of October fifteenth of each year, the unused portion of each local agency's and other issuer's then total allocation as reported and the unallocated portion of the set-aside for state agencies shall be recaptured and added to the statewide bond reserve and shall no longer be available to covered bond issuers except as otherwise provided herein. From October fifteenth through the end of the year, each local agency or other issuer having an allocation shall immediately report to the commissioner and each state agency having an allocation shall immediately report to the director the amount of bonds subject to allocation under this act that will be issued prior to the end of the then current calendar year, and the amount of the issuer's then total allocation that will remain unused. The director and the commissioner shall recapture the unused portion of each local agency's and other issuer's then total allocation as reported and the unallocated portion of the set-aside for state agencies and add such amounts to the statewide bond reserve. The director may likewise make such determination and recapture with respect to state agency allocations.

"§ 11. Allocation carryforward. 1. No local agency or other issuer shall make a carryforward election utilizing any unused allocation (pursuant to section 146(f) of the code) [26 U.S.C.A. § 146(f)] without the prior approval of the commissioner. Likewise no state agency shall make or file such an election, or elect to issue or carry forward mortgage credit certificates, without the prior approval of the director.

"2. On or before November fifteenth of each year, each state agency seeking unused statewide ceiling for use in future years shall make a request for an allocation for a carryforward to the director, whose approval shall be required before a carryforward election is filed by or on behalf of any state agency. A later request may also be considered by the director, who may file a carryforward election for any state agency with the consent of such agency.

"3. On or before November fifteenth of each year, each local agency or other issuer seeking unused statewide ceiling for use in future years shall make a request for an allocation for a carryforward to the commissioner, whose approval shall be required before a carryforward election is filed by or on behalf of any local or other agency. A later request may also be considered by the commissioner.

"§ 12. New York state bond allocation policy advisory panel. 1. There is hereby created a policy advisory panel and process to provide policy advice regarding the priorities for distribution of the statewide ceiling.

"2. The panel shall consist of five members, one designee being appointed by each of the following: the governor, the temporary president of the senate, the speaker of the assembly, the minority

division of the budget and the department of economic development shall assist and cooperate with the panel as provided in this section. The advisory process shall operate through the issuance of advisory opinions by members of the panel as provided in subdivision six of this section. A meeting may be held at the call of the chair with the unanimous consent of the members.

"3. a. Upon receipt of a request for allocation or a request for approval of a carryforward election from the statewide reserve from a local agency or other issuer, the commissioner shall, within five working days, notify the panel of such request and provide the panel with copies of all application materials submitted by the applicant.

"b. Upon receipt of a request for allocation or a request for approval of carryforward election from the statewide reserve from a state agency, the director shall, within five working days, notify the panel of such request and provide the panel with copies of all application materials submitted by the applicant.

"4. a. Following receipt of a request for allocation from a local agency or other issuer, the commissioner shall notify the panel of a decision to approve or exclude from further consideration such request, and shall state his reasons. Such notification shall be made with or after the transmittal of the information specified in subdivision three of this section and at least five working days before formal notification is made to the applicant.

"b. Following receipt of a request for allocation from a state agency, the director shall notify the panel of a decision to approve or exclude from further consideration such request, and shall state his reasons. Such notification shall be made with or after the transmission of the information specified in subdivision three of this section and at least five working days before formal notification is made to the state agency.

"5. The requirements of subdivisions three and four of this section shall not apply to adjustments to allocations due to bond sizing changes.

"6. Special procedure for certain decisions. In the event that any decision to approve or to exclude from further consideration

the longest possible advance notification of his action, consistent with the requirements of the code, and shall, wherever possible, solicit the opinions of the members of the panel before formally notifying any applicant of his action. Such notification may be made by means of telephone communication to the members or by written notice delivered to the Albany office of the appointing authority of the respective members.

"7. Advisory opinions by members of the panel. Upon notification by the director or the commissioner, any member of the panel may, within five working days, notify the commissioner or the director of any policy objection concerning the expected action. If three or more members of the panel shall submit policy objections in writing to the intended action, the commissioner or the director shall respond in writing to the objection prior to taking the intended action unless exigent circumstances make it necessary to respond after the action has been taken.

"8. Reports. On or before the first day of March, in any year, the director shall report to the members of the New York state bond allocation policy advisory panel on the actual utilization of volume cap for the issuance of bonds during the prior calendar year and the amount of such cap allocated for carryforwards for future bond issuance. The report shall include, for each local agency or other issuer and each state agency, the initial allocation, the amount of bonds issued subject to the allocation, the amount of the issuer's allocation that remained unused, the allocation of the statewide bond reserve, carryforward allocations and recapture of allocations. Further, the report shall include projections regarding private activity bond issuance for state and local issuers for the calendar year, as well as any recommendations for legislative action.

"§ 13. Expiration of certain provisions. The provisions of sections one through twelve of this act shall expire on January 1, 1994; except that the provisions of subdivision 8 of section twelve of this act shall expire on March 1, 1994, and the provisions of subdivisions 2 and 3 of section eleven of this act shall expire on

ate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section, or part thereof directly involved in the controversy in which such judgment shall have been rendered."

Allocation of Statewide Ceiling for L.1992, c. 60; Chargeability. L.1992, c. 60, § 3, eff. Apr. 10, 1992, provided: "Notwithstanding any provisions of this act [L.1992, c. 60] to the contrary (i) provided that a local agency or other issuer certifies to the commissioner of the New York state department of economic development on or before October 1, 1992 that it has issued private activity bonds described in this section and the amount thereof which used statewide ceiling, a commitment or allocation of statewide ceiling to a local agency or other issuer made to or so used by such local agency or other issuer pursuant to the federal tax reform act of 1986 [26 U.S.C.A. § 1 et seq.] on or after January 1, 1992 and prior to the date of enactment of this act [Apr. 10, 1992], in an amount which exceeds the local agency set-aside established by section 3 of the private activity bond allocation act of 1992, as added by section two of this act, shall be first chargeable to the statewide bond reserve established pursuant to section 6 of the private activity bond allocation act of 1992, as added by section two of this act, and (ii) a commitment or allocation of statewide ceiling to a state agency made to or used by such agency pursuant to the internal revenue code, as amended, on or after January 1, 1992 and prior to the date of enactment of this act, shall be first chargeable to the state agency set-aside established pursuant to section 4 of the private activity bond allocation act of 1992, as added by section two of this act, and, thereafter, to the statewide bond reserve established by section 6 of the private activity bond allocation act of 1992, added by section two of this act."

Private Activity Bond Allocation Act of 1992. L.1992, c. 60, § 2, eff. Apr. 10, 1992, provided: "The private activity bond allocation act of 1992 is enacted to read as follows:

"PRIVATE ACTIVITY BOND ALLOCATION ACT OF 1992

"Section
" 1. Short title.
" 2. Definitions.
" 3. Local agency set-aside.
" 4. State agency set-aside.
"Section
" 7. Overlapping jurisdictions.
" 8. Ineligible local agencies.
" 9. Municipal reallocation.
"10. Year end allocation recapture.
"11. Allocation carryforward.
"12. New York state bond allocation policy advisory panel.
"13. Expiration of certain provisions.
"14. Severability.

"Section 1. Short title. This act [L.1992, c. 60, § 2] shall be known and may be cited as the 'private activity bond allocation act of 1992'.

"§ 2. Definitions. As used in this act, unless the context requires otherwise:

"1. 'Bonds' means bonds, notes or other obligations.

"2. 'Carryforward' means an amount of unused private activity bond ceiling available to an issuer pursuant to an election filed with the internal revenue service pursuant to section 146(f) of the code [26 U.S.C.A. § 146(f)].

"3. 'Code' means the internal revenue code of 1986 [26 U.S.C.A. § 1 et seq.], as amended.

"4. 'Commissioner' means the commissioner of the New York state department of economic development.

"5. 'Covered bonds' means those tax exempt private activity bonds and that portion of the non-qualified amount of an issue of governmental use bonds for which an allocation of the statewide ceiling is required for the interest earned by holders of such bonds to be excluded from the gross income of such holders for federal income tax purposes under the code.

"6. 'Director' means the director of the New York state division of the budget.

"7. 'Issuer' means a local agency, state agency, or other issuer.

"8. 'Local agency' means an industrial development agency established or operating pursuant to article 18-A of the general municipal law, the Troy industrial development authority and the Auburn industrial development authority.

"9. 'Other issuer' means any agency, political subdivision or other entity, other than a local agency or state agency, that is authorized to issue covered bonds.

"10. 'Qualified small issue bonds' means qualified small issue bonds, as defined in section 144 (a) of the code [26

research and development authority, the New York job development authority, the New York state environmental facilities corporation, the New York state urban development corporation and its subsidiaries, the Battery Park city authority, the Port authority of New York and New Jersey, the power authority of the state of New York, the dormitory authority of the state of New York, the New York state housing finance agency, the state of New York mortgage agency, and any other public benefit corporation or public authority designated by the governor for the purposes of this act.

"12. 'Statewide ceiling' means for any calendar year the highest state ceiling (as such term is used in section 146 of the code [26 U.S.C.A. § 146]) applicable to New York state.

"§ 3. Local agency set-aside. A set-aside of statewide ceiling for local agencies for any calendar year shall be an amount which bears the same ratio to one-third of the statewide ceiling as the population of the jurisdiction of such local agency bears to the population of the entire state. The commissioner shall administer allocations of such set-aside to local agencies.

"§ 4. State agency set-aside. A set-aside of statewide ceiling for all state agencies for any calendar year shall be one-third of the statewide ceiling. The director shall administer allocations of such set-aside to state agencies and may grant an allocation to any state agency upon receipt of an application in such form as the director shall require.

"§ 5. Statewide bond reserve. One-third of the statewide ceiling is hereby set aside as a statewide bond reserve to be administered by the director.

"1. Allocation of the statewide bond reserve among state agencies, local agencies and other issuers. The director shall transfer a portion of the statewide bond reserve to the commissioner for allocation to and use by local agencies and other issuers in accordance with the terms of this section. The remainder of the statewide bond reserve may be allocated by the director to state agencies in accordance with the terms of this section.

"2. Allocation of statewide bond reserve to local agencies or other issuers.

"a. Local agencies or other issuers

"(i) that the requested allocation is required under the code for the interest earned on the bonds to be excluded from the gross income of bondholders for federal income tax purposes;

"(ii) that the local agency's remaining unused allocation provided pursuant to section three of this act, and other issuer's remaining unused allocation, or any available carryforward will be insufficient for the specific project or projects for which the reserve allocation is requested; and

"(iii) that, except for those allocations made pursuant to section eleven of this act to enable carryforward elections, the requested allocation is reasonably expected to be used during the calendar year.

"b. In reviewing and approving or disapproving applications, the commissioner shall exercise discretion to ensure an equitable distribution of allocations from the statewide bond reserve to local agencies and other issuers. Prior to making a determination on such applications, the commissioner shall notify and seek the recommendation of the commissioner of housing and community renewal in the case of an application related to the issuance of multi-family housing or mortgage revenue bonds, and in the case of other requests, such state officers, departments, divisions and agencies as the commissioner deems appropriate.

"c. Applications for allocations shall be made in such form and contain such information and reports as the commissioner shall require.

"3. Allocation of statewide bond reserve to state agencies. The director may make an allocation from the statewide bond reserve to any state agency. Before making any allocation of statewide bond reserve to state agencies the director shall be satisfied:

"a. that the allocation is required under the code for the interest earned on the bonds to be excluded from the gross income of bondholders for federal income tax purposes;

"b. that the state agency's remaining unused allocation provided pursuant to section four of this act or any available carryforward will be insufficient to accommodate the specific bond issue or issues for which the reserve allocation is requested; and

"c. that, except for those allocations

...ployment opportu-
...ers shall require that
...yment opportunities creat-
...ection with industrial or manu-
...ing projects financed through the
...suance of qualified small issue bonds
shall be listed with the New York state
department of labor job service division,
and with the administrative entity of the
service delivery area created pursuant to
the federal job training partnership act
(Pub.L. 97-300) [29 U.S.C.A. § 1601 et
seq.] in which the project is located. Such
listing shall be in a manner and form
prescribed by the commissioner. All is-
suers shall further require that for any
new employment opportunities created in
connection with an industrial or manufac-
turing project financed through the is-
suance of qualified small issue bonds by
such issuer, industrial or manufacturing
firms shall first consider persons eligible
to participate in federal job training part-
nership act (P.L. 97-300) programs who
shall be referred to the industrial or man-
ufacturing firm by administrative entities
of service delivery areas created pursuant
to such act or by the job service division
at the department of labor. Issuers of
qualified small issue bonds are required to
monitor compliance with the provisions of
this section as prescribed by the commis-
sioner.

"2. Nothing in this section shall be
construed to require users of qualified
small issue bonds to violate any existing
collective bargaining agreement with re-
spect to the hiring of new employees.
Failure on the part of any user of qualified
small issue bonds to comply with the re-
quirements of this section shall not affect
the allocation of bonding authority to the
issuer of the bonds or the validity or tax
exempt status of such bonds.

"§ 7. Overlapping jurisdictions. In a
geographic area represented by a county
local agency and one or more sub-county
local agencies, the allocation granted by
section three of this act with respect to
such area of overlapping jurisdiction shall
be apportioned one-half to the county local
agency and one-half to the sub-county lo-
cal agency or agencies. Where there is a
local agency for the benefit of a village
...geographic area of a town for
village. Notwithstanding the foregoing, a
local agency may surrender all or part of
its allocation for such calendar year to
another local agency with an overlapping
jurisdiction. Such surrender shall be
made at such time and in such manner as
the commissioner shall prescribe.

"§ 8. Ineligible local agencies. To the
extent that any allocation of the local
agency set-aside would be made by this
act to a local agency which is ineligible to
receive such allocation under the code or
under regulations interpreting the state
volume ceiling provisions of the code, such
allocation shall instead be made to the
political subdivision for whose benefit that
local agency was created.

"§ 9. Municipal reallocation. The
chief executive officer of any political sub-
division or, if such political subdivision has
no chief executive officer, the governing
board of the political subdivision for the
benefit of which a local agency has been
established, may withdraw all or any por-
tion of the allocation granted by section
three of this act to such local agency. The
political subdivision may then reallocate
all or any portion of such allocation, as
well as all or any portion of the allocation
received pursuant to section eight of this
act, to itself or any other issuer estab-
lished for the benefit of that political sub-
division or may assign all or any portion of
the allocation received pursuant to section
eight of this act to the local agency creat-
ed for its benefit. The chief executive
officer or governing board of the political
subdivision, as the case may be, shall noti-
fy the commissioner of any such realloca-
tion.

"§ 10. Year end allocation recapture.
On or before October first of each year,
each state agency shall report to the di-
rector and each local agency and each
other issuer shall report to the commis-
sioner the amount of bonds subject to
allocation under this act that will be issued
prior to the end of the then current calen-
dar year, and the amount of the issuer's
then total allocation that will remain un-
used. As of October fifteenth of each
year, the unused portion of each local
agency's and other issuer's then total allo-
cation as reported and the unallocated
portion of the set-aside for state agencies
...added to the

port to the commissioner and each state
agency having an allocation shall immedi-
ately report to the director any changes to
the status of its allocation or the status of
projects for which allocations have been
made which should affect the timing or
likelihood of the issuance of covered bonds
therefor. If the commissioner determines
that a local agency or other issuer has
overestimated the amount of covered
bonds subject to allocation that will be
issued prior to the end of the calendar
year, the commissioner may recapture the
amount of the allocation to such local
agency or other issuer represented by
such overestimation by notice to the local
agency or other issuer, and add such allo-
cation to the statewide bond reserve. The
director may likewise make such determi-
nation and recapture with respect to state
agency allocations.

"§ 11. Allocation carryforward. 1.
No local agency or other issuer shall make
a carryforward election utilizing any un-
used allocation (pursuant to section 146(f)
of the code [26 U.S.C.A. § 146(f)]) without
the prior approval of the commissioner.
Likewise no state agency shall make or
file such an election, or elect to issue or
carry forward mortgage credit certificates,
without the prior approval of the director.

"2. On or before November fifteenth
of each year, each state agency seeking
unused statewide ceiling for use in future
years shall make a request for an alloca-
tion for a carryforward to the director,
whose approval shall be required before a
carryforward election is filed by or on
behalf of any state agency. A later re-
quest may also be considered by the di-
rector, who may file a carryforward elec-
tion for any state agency with the consent
of such agency.

"3. On or before November fifteenth
of each year, each local agency or other
issuer seeking unused statewide ceiling for
use in future years shall make a request
for an allocation for a carryforward to the
commissioner, whose approval shall be re-
quired before a carryforward election is
filed by or on behalf of any local or other
agency. A later request may also be con-
sidered by the commissioner.

"§ 12. New York state bond allocation
policy advisory panel.

"1. There is hereby created a policy
...advisory panel and process to provide poli-

the president pro-tem of the senate, the
speaker of the assembly, the minority
leader of the senate and the minority lead-
er of the assembly. The designee of the
governor shall chair the panel. The panel
shall monitor the allocation process
through the year, and in that regard, the
division of the budget and the department
of economic development shall assist and
cooperate with the panel as provided in
this section. The advisory process shall
operate through the issuance of advisory
opinions by members of the panel as pro-
vided in subdivision 6 of this section. A
meeting may be held at the call of the
chair with the unanimous consent of the
members.

"3. a. Upon receipt of a request for
allocation or a request for approval of a
carryforward election from the statewide
reserve from a local agency or other is-
suer, the commissioner shall, within five
working days, notify the panel of such
request and provide the panel with copies
of all application materials submitted by
the applicant.

"b. Upon receipt of a request for allo-
cation or a request for approval of carry-
forward election from the statewide re-
serve from a state agency, the director
shall, within five working days, notify the
panel of such request and provide the
panel with copies of all application materi-
als submitted by the applicant.

"4. a. Following receipt of a request
for allocation from a local agency or other
issuer, the commissioner shall notify the
panel of a decision to approve or exclude
from further consideration such request,
and shall state his reasons. Such notifica-
tion shall be made with or after the trans-
mittal of the information specified in sub-
division 3 of this section and at least five
working days before formal notification is
made to the applicant.

"b. Following receipt of a request for
allocation from a state agency, the di-
rector shall notify the panel of a decision
to approve or exclude from further consid-
eration such request, and shall state his
reasons. Such notification shall be made
with or after the transmission of the infor-
mation specified in subdivision 3 of this
section and at least five working days
before formal notification is made to the
state agency.

"5. The requirements of subdivisions 3

approve or to exclude from further consideration a request for allocation is made within ten working days of the end of the calendar year and in the case of all requests for consent to a carryforward election, the commissioner or director, as is appropriate, shall provide the panel with the longest possible advance notification of his action, consistent with the requirements of the code, and shall, wherever possible, solicit the opinions of the members of the panel before formally notifying any applicant of his action. Such notification may be made by means of telephone communication to the members or by written notice delivered to the Albany office of the appointing authority of the respective members.

"7. Advisory opinions by members of the panel. Upon notification by the director or the commissioner, any member of the panel may, within five working days, notify the commissioner or the director of any policy objection concerning the expected action. If three or more members of the panel shall submit policy objections in writing to the intended action, the commissioner or the director shall respond in writing to the objection prior to taking the intended action unless exigent circumstances make it necessary to respond after the action has been taken.

"8. Reports. On or before the first day of March, in any year, the director shall report to the members of the New York state bond allocation policy advisory panel on the actual utilization of volume cap for the issuance of bonds during the prior calendar year and the amount of such cap allocated for carryforwards for future bond issuance. The report shall include, for each local agency or other issuer and each state agency the initial allocation, the amount of bonds issued subject to the allocation, the amount of the issuer's allocation that remained unused, the allocation of the statewide bond reserve, carryforward allocations and recapture of allocations. Further, the report shall include projections regarding private activity bond issuance for state and local issuers, for the calendar year, as well as any recommendations for legislative action.

"§ 13. Expiration of certain provisions. The provisions of sections one through twelve of this act shall expire on January 1, 1993, except that the provisions of subdivision 8 of section twelve of this act shall expire on March 1, 1993, and the provisions of subdivisions 2 and 3 of section eleven of this act shall expire on February 15, 1993.

"§ 14. Severability. If any clause, sentence, paragraph, section, or part of this act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section, or part thereof directly involved in the controversy in which such judgment shall have been rendered."

§ 852. Policy and purposes of article

It is hereby declared to be the policy of this state to promote the economic welfare, recreation opportunities and prosperity of its inhabitants and to actively promote, attract, encourage and develop recreation, economically sound commerce and industry and economically sound projects identified and called for to implement a state urban cultural park management plan as provided in title G of the parks, recreation and historic preservation law through governmental action for the purpose of preventing unemployment and economic deterioration by the creation of industrial development agencies which are hereby declared to be governmental agencies and instrumentalities and to grant to such industrial development agencies the rights and powers provided in this article.

It is hereby further declared to be the policy of this state to protect and promote the health of the inhabitants of this state by the conservation, protection and improvement of the natural and cultural or historic resources and environment and to control land, sewer, water, air, noise or general environmental pollution derived from the operation of industrial, manufacturing, warehousing, commercial, recreation, horse racing facilities, railroad facilities and research facilities and to grant such industrial development agencies the rights and powers provided by this article with respect to industrial pollution control facilities.

It is hereby further declared to be the policy of this state to protect and promote the health of the inhabitants of this state and to increase trade through promoting the development of facilities to

provide recreation for the citizens of the state and to attract tourists from other states.

The use of all such rights and powers is a public purpose essential to the public interest, and for which public funds may be expended.

(Added L.1969, c. 1030, § 1; amended L.1971, c. 978, § 1; L.1974, c. 954, § 1; L.1977, c. 267, § 16; L.1977, c. 630, § 1; L.1980, c. 803, § 1; L.1982, c. 541, § 5.)

Historical Note

1982 Amendment. L.1982, c. 541, § 5, eff. July 20, 1982, in sentence beginning "It is hereby declared" substituted a comma for "and" following "and develop recreation", and inserted "and economically sound projects identified and called for to implement a state urban cultural park management plan as provided in title G of the parks, recreation and historic preservation law"; and in sentence beginning "It is hereby further declared to be the policy of this state to protect and promote the health of the inhabitants of this state by the" inserted "and cultural or historic".

1980 Amendment. L.1980, c. 803, § 1, eff. June 30, 1980, in sentence beginning "It is hereby further declared to be the policy of this state to protect and promote the health of the inhabitants of this state by the conservation," inserted ", railroad facilities".

1977 Amendments. L.1977, c. 630, § 1, eff. Aug. 1, 1977, deleted references to winter recreation facilities.

L.1977, c. 267, § 16, eff. 5 days after June 14, 1977, extended the policy of the state to protect the health of its inhabitants through control of operation of horse racing facilities.

1974 Amendment. L.1974, c. 954, § 1, eff. June 13, 1974, provided for policy to promote recreational opportunities and prosperity of inhabitants, encourage and develop recreation, protect against pollution brought on by winter recreation facilities, and to increase trade by promoting winter recreation facilities to attract tourists.

1971 Amendment. L.1971, c. 978, § 1, eff. July 2, 1971, inserted "all" preceding "such rights and powers" in the second of the two existing sentences, designated such sentence a separate paragraph, and, between such resulting paragraphs, added paragraph beginning "It is hereby further declared to be the policy of this state to protect and promote the health".

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐267.
C.J.S. Municipal Corporations § 1035.

§ 854. Definitions

As used in this act, unless the context otherwise requires:

(1) "Agency"—shall mean an Industrial Development Agency created pursuant to this act.

(3) "Municipality"—shall mean any county, city, village, town or Indian reservation in the state.

(4) [Amendment by L.1986, c. 905, eff. until July 1, 1996.] "Project"—shall mean any land, any building or other improvement, and all real and personal properties located within the state of New York and within or partially within and partially outside the municipality for whose benefit the agency was created, including, but not limited to, machinery, equipment and other facilities deemed necessary or desirable in connection therewith, or incidental thereto, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, civic, commercial or industrial purposes or other economically sound purposes identified and called for to implement a state designated urban cultural park management plan as provided in title G of the parks, recreation and historic preservation law and which may include or mean an industrial pollution control facility, a recreation facility, educational or cultural facility, a horse racing facility, a railroad facility, a life care community, or a civic facility, provided, however, that, of agencies governed by this article, only agencies created for the benefit of a county and the agency created for the benefit of the city of New York shall provide financial assistance in any respect to a life care community, and provided, however, no agency shall provide financial assistance in respect of any project partially outside the municipality for whose benefit the agency was created without the prior consent thereto by the governing body or bodies of all the other municipalities in which any part of the project is, or is to be, located. Where a project is located partially within and partially outside the municipality for whose benefit the agency was created, the portion of the project outside the municipality must be contiguous with the portion of the project inside the municipality.

(5) "Governing body"—shall mean the board or body in which the general legislative powers of the municipality are vested.

(6) "Mortgage"—shall mean a mortgage or other security device.

(7) "Revenues"—shall mean all rents, revenues, fees, charges and other sources of income derived by the agency from the leasing, sale or other disposition of a project or projects.

(8) "Industrial pollution control facility"—shall mean any equipment, improvement, structure or facility or any land and any building, structure, facility or other improvement thereon, or any combination thereof, and all real and personal property deemed necessary therewith, which if within any city are not of a character or nature then or formerly furnished or supplied by the city, having to do with or the end purpose of which is the control, abatement or prevention of land, sewer, water, air, noise or general environmental pollution deriving from the operation of industrial, manufacturing, warehousing, commercial, recreation and research facilities, including, but not limited to any air pollution control facility, noise abatement facility, water management facility, waste water collect-

system, sewage treatment system or solid waste disposal facility or site.

(9) "Recreation facility"—shall mean any facility for the use of the general public as spectators or participants in recreation activities, including but not limited to skiing, golfing, swimming, tennis, ice skating or ice hockey facilities, together with all buildings, structures, machinery, equipment, facilities and appurtenances thereto which the agency may deem necessary, useful or desirable in connection with the construction, improvement or operation of any such facility, including overnight accommodations and other facilities incidental thereto and facilities that may permit the use of recreation facilities by the general public as participants in recreation activities, but shall not include facilities for automobile or horse racing or other similar activities.

(10) "Horse racing facility"—shall mean any facility for the use of the general public for purpose of conducting pari-mutuel wagering, licensed by the state racing and wagering board, as of January first, nineteen hundred seventy-seven, except non-profit racing associations, including buildings, structures, machinery, equipments, facilities and appurtenances thereto, the construction, reconstruction, acquisition and/or improvement of which shall have been approved by the state racing and wagering board, and which the agency may deem necessary, useful or desirable in connection with the construction, improvement or operation of such racing facility.

(11) "Railroad facility"—shall mean, but shall not be limited to, railroad rights-of-way, beds, bridges, viaducts, tracks, switches and rolling stock and any other attendant structure, equipment, facility or property necessary or appropriate to railroading conducted in conjunction with industrial, commercial, manufacturing, recreational or warehousing operations; provided, however, that (i) no agency shall itself operate a railroad facility for freight or passenger service, but may lease or otherwise make such facility available to an operator, subject to an agreement for the maintenance and operation of such facility for freight or passenger service, provided that passenger service does not constitute the primary purpose of the railroad facility; (ii) prior to undertaking any project involving acquisition, construction, reconstruction, improvement, maintenance, equipping or furnishing of a railroad facility, an agency shall submit its plans for the proposed project to the commissioner of transportation; the commissioner shall, within sixty days of his

recommendations for modification for improving the project's viability, to the agency, the governor, the commissioner of commerce, the temporary president of the senate, the speaker of the assembly and the governing body of the municipality in which the agency is located; and (iii) no agency shall enter into any contract for the acquisition, construction, reconstruction, improvement, maintenance, equipping or furnishing of a railroad facility until fifteen days after the submission of the analysis and recommendations of the commissioner of transportation, or seventy-five days after submission of the agency's plan to the commissioner, whichever is earlier.

(12) "Educational or cultural facility"—shall mean any facility identified and called for to implement a state designated urban cultural park management plan as provided in title G of the parks, recreation and historic preservation law that is open to the public at large as participants in educational and cultural activities including but not limited to theaters, museums, exhibitions and festival and interpretive facilities, together with buildings, structures, machinery, equipment, facilities and appurtenances thereto which the agency may deem necessary, useful or desirable in connection with the construction, improvement or operation of any such facility, including overnight accommodations and other facilities incidental thereto and facilities that may permit the use of educational or cultural facilities by the general public.

(Added L.1969, c. 1030, § 1; amended L.1971, c. 978, §§ 2, 3; L.1972, c. 190, § 1; L.1973, c. 353, § 1; L.1974, c. 954, §§ 2 to 4; L.1977, c. 267, §§ 17, 18; L.1977, c. 630, §§ 2, 3; L.1980, c. 803, §§ 2, 3; L.1982, c. 541, §§ 6, 7.)

(13) [Eff. until July 1, 1996.] "Civic facility"—shall mean any facility which shall be owned or occupied by a not-for-profit corporation organized and existing under the laws of this state or authorized to conduct activities in this state. Such facilities shall not include convention centers, housing facilities, dormitories for educational institutions or roads, buildings, water systems, sewer systems, or any public facility for use by a municipality in the performance of its governmental functions or medical facilities which are predominately used for the delivery of medical services, except that such facilities shall include habilitation centers and hospices.

(14) "Financial assistance"—shall mean the proceeds of bonds issued by an agency, straight-leases, or exemptions from taxation claimed by a project occupant as a result of an agency taking title, possession or control (by lease, license or otherwise) to the property or equipment of such project occupant or of such project occupant acting as an agent of an agency.

(16) "Straight-lease transaction"—shall mean a transaction in which an agency takes title, possession or control (by lease, license or otherwise) to the

(16) "Affected tax jurisdiction"—shall mean any municipality or school district in which a project is located, which will fail to receive real property tax payments, or other tax payments which would otherwise be due, except for the tax exempt status of an agency involved in a project.

(17) "Payments in lieu of taxes"—shall mean any payment made to an agency or affected tax jurisdiction equal to the amount, or a portion of, real property taxes, or other taxes, which would have been levied by or on behalf of an affected tax jurisdiction if the project was not tax exempt by reason of agency involvement.

(18) "Highly distressed area"—shall mean (a) a census tract or tracts or block numbering areas or area or such census tract or block numbering area contiguous thereto which, according to the most recent census data available, has

(i) a poverty rate of at least twenty percent for the year to which the data relates, or, at least twenty percent of households receiving public assistance; and

(ii) an unemployment rate of at least 1.25 times the statewide unemployment rate for the year to which the data relates; or

(b) a city, town, village or county within a city with a population of one million or more for which: (i) the ratio of the full value property wealth, as determined by the comptroller for the year nineteen hundred ninety, per resident to the statewide average full value property wealth per resident; and (ii) the ratio of the income per resident, as shown in the nineteen hundred ninety census to the statewide average income per resident, are each fifty-five percent or less of the statewide average; or

(c) an area which was designated an economic development zone pursuant to article eighteen-B of this chapter.

(19) "Life care community"—shall mean any facility that has been granted a certificate of authority pursuant to article forty-six of the public health law and is established to provide, pursuant to life care contracts, a comprehensive, cohesive living arrangement for the elderly, and certified by the commissioner of health, that (i) has been approved for the issuance of industrial development agency bonds by the life care community council pursuant to section forty-six hundred four-a of the public health law and (ii) is a not-for-profit corporation as defined in section one hundred two of the not-for-profit corporation law that is (a) eligible for tax-exempt financing under section four thousand six hundred four-a of the public health law and the general municipal law and (b) is exempt from taxation pursuant to section 501(c)(3) of the federal internal revenue code;[1] except that "life care community" shall not include a facility granted a certificate of authority upon application of a state or local government applicant.

(As amended L.1986, c. 905, §§ 1, 2; L.1988, c. 633, § 1; L.1993, c. 356, §§ 3, 4; L.1994, c. 66, §§ 8, 9.)

[1] For Internal Revenue Code provisions, see 26 USCA.

Historical and Statutory Notes

1994 Amendments. Subd. 4. L.1994, c. 66, § 8, included life care communities within definition of "project" and inserted

Subd. 19. L.1994, c. 66, § 9, added subd. 19. See effective date of amendment note below.

tance to project partially outside municipality for which agency created without consent of all other municipalities containing any part of project for prohibition on using funds on project wholly or partially outside municipality for which agency created without consent of all other municipalities containing part or parts of project; and required any portion of project outside municipality for which agency created to be contiguous with portion inside it. See effective date of amendment note below.

Subd. (13). L.1993, c. 356, § 3, excluded educational dormitories and roads, buildings, water and sewer systems and public facilities used by municipality in government functions from term "civic facility". See effective date of amendment note below.

Subds. (14) to (18). L.1993, c. 356, § 4, added subds. (14) to (18). See effective date of amendment note below.

1988 Amendment. Subd. (13). L.1988, c. 633, § 1, eff. Sept. 1, 1988, deleted proviso incorporating within definition limit on total amount of bonds issued by an agency during calendar year on behalf of such corporations, and excepted habilitation centers and hospices from housing or medical facilities exception to definition.

1986 Amendment. Subd. (4). L.1986, c. 905, § 1, eff. Nov. 12, 1986, inserted "civic," following "warehousing, research," and substituted ", a railroad facility, or a civic facility," for "or a railroad facility,". For expiration of this amendment, see note below.

Subd. (13). L.1986, c. 905, § 2, eff. Nov. 12, 1986, added subd. (13). For expiration of this amendment, see note below.

Effective Date of Amendment by L.1994, c. 66; Expiration Unaffected; Implementation; Application. L.1994, c. 66, § 15, provided: "This act [adding §§ 859-b, 862-a and Public Health Law § 4604-a, amending this section and § 858, Insurance Law § 4235 and Public Health Law §§ 4601, 4602, 4606, 4608, 4610 and 4623, and enacting provisions set out as notes under this section, § 859-b and Public Health Law § 4602] shall take effect immediately [Apr. 18, 1994], provided, however, that the amendment made to subdivision 4 of section 854 of the general municipal law by section eight of this act shall not affect the reversion of such subdivision as provided by section 5 of chap-

to implement the provisio. . of this act h advance of such regulations; and provide further that sections one, three, seven eight, nine, ten, eleven, twelve and thir teen [adding §§ 859-b, 862-a and Publi Health Law § 4604-a and amending thi section, § 858, Insurance Law § 4235 an Public Health Law §§ 4601 and 4623] o this act, and paragraph m of subdivision of section 4602 of the public health law, a added by section two of this act, shal apply only to applicants for a certificate o authority pursuant to article 46 of the public health law that have been approved to receive and have received such certificate of authority on or before July 1, 2000."

Effective Date of Amendment by L.1993, c. 356; Applicability; Expiration or Repeal Unaffected. L.1993, c. 356, § 38, amended L.1993, c. 367, § 16, eff. Oct. 19, 1993, provided: "This act [L.1993, c. 356] shall take effect on the ninetieth day after it shall have become a law [became law July 21, 1993; eff. Oct. 19, 1993] provided, however, that sections twenty-one and twenty-nine of this act [amending Public Authorities Law §§1952, 2304] shall take effect one year after the date on which this act shall have become a law [eff. July 21, 1994]; provided, further, that subdivision 13 of section 854 of the general municipal law, as amended by section three of this act and subdivision 10 of section 1951 of the public authorities law, as amended by section nineteen of this act, shall take effect immediately [July 21, 1993] and provided further that subdivision 15 of section 858 of the general municipal law, as added by section seven of this act, subdivision 14 of section 1953 of the public authorities law as added by section twenty-three of this act and subdivision 14 of section 2306 of the public authorities law as added by section thirty-one of this act shall take effect on January 1, 1994; provided further however that the provisions of section fifteen of this act [amending General Municipal Law § 862] shall remain in full force and effect until July 1, 1996, and provided further that sections twenty-two and thirty of this act [amending Public Authorities Law §§1953, 2306] shall remain in full force and effect until July 1, 1996 when upon such date the provisions of the opening paragraph of sections 1953 and 2306 of the public authorities law shall revert to and be read as set out in law on the date

shall take effect immediately [July 21, 1993] and shall be deemed in full force and effect on and after July 1, 1993; provided further, however, that this act shall not apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified; provided further, however, that nothing contained herein shall be deemed to affect the application, qualification, expiration or repeal of any provision of law amended by any section of this act and such provisions shall be applied or qualified or shall expire or be deemed repealed in the same manner, to the same extent and on the same date as the case may be as otherwise provided by law."

L.1986, c. 905; Expiration. L.1986, c. 905, § 5; amended L.1988, c. 633, § 2; L.1989, c. 387, § 1; L.1990, c. 281, § 1; L.1991, c. 388, § 1; L.1992, c. 709, § 1; L.1993, c. 33, § 1; L.1993, c. 356, § 35, eff. July 21, 1993, retroactive to July 1, 1993, provided: "This act [amending this section, § 917, and former § 859] shall take effect immediately [Nov. 12, 1986] and shall remain in full force and effect until July 1, 1996, when upon such date (i) the provisions of subdivision 4 of section 854 of the general municipal law, as amended by section one of this act, shall revert to and be read as set out in law on the date immediately preceding the effective date of this act, and (ii) the provisions of sections two and three of this act [amending this section and former § 869] shall be deemed to be repealed."

Legislative Histories

L.1988, c. 633: For memorandum of the Legislative Representative of the City of New York, see McKinney's 1988 Session Laws of New York, p. 2101.

Notes of Decisions

1. Civic facilities

The 1986 amendment to General Municipal Law § 854 expanding industrial development agency projects to include civic facilities was intended solely to permit projects on behalf of not-for-profit corporations. Op.Atty.Gen. (Inf.) 89-24.

Historical Note

1982 Amendment. Subd. (4). L.1982, c. 541, § 6, eff. July 20, 1982, inserted "or other economically sound purposes identified and called for to implement a state designated urban cultural park management plan as provided in title G of the parks, recreation and historic preservation law" and "educational or cultural facility,".

Subd. (12). L.1982, c. 541, § 7, eff. July 20, 1982, added subd. (12).

1980 Amendment. Subd. (4). L.1980, c. 803, § 2, eff. June 30, 1980, substituted ", a recreation facility, a horse racing facility or a railroad facility" for "or a recreation facility or a horse racing facility".

Subd. (11). L.1980, c. 803, § 3, eff. June 30, 1980, added subd. (11).

1977 Amendments. Subd. (4). L.1977, c. 630, § 2, eff. Aug. 1, 1977, deleted "winter" preceding "recreation facility, provided".

L.1977, c. 267, § 17, eff. 5 days after June 14, 1977, defined "project" to include a horse racing facility.

Subd. (8). L.1977, c. 630, § 2, eff. Aug. 1, 1977, deleted "winter" preceding "recreation and research".

Subd. (9). L.1977, c. 630, § 3, eff. Aug. 1, 1977, substituted "Recreation" for "Winter recreation", deleted "winter" preceding "recreation" in all instances, inserted "golfing, swimming, tennis", substituted "such facility" for "of the foregoing", deleted "other seasonal" following "as participation in", deleted "such as golfing, swimming, tennis and other similar activities" following "recreation activities".

Subd. (10). L.1977, c. 267, § 18, eff. 5 days after June 14, 1977, added subd. (10).

1974 Amendment. Subd. (4). L.1974, c. 954, § 2, eff. June 18, 1974, inserted "and other facilities", "or desirable", "or incidental thereto" and "or a winter recreation facility".

Subd. (8). L.1974, c. 954, § 3, eff. June 13, 1974, inserted "if within any city", substituted "the city" for "a city", and inserted "winter recreation".

Subd. (9). L.1974, c. 954, § 4, eff. June 13, 1974, added subd. (9).

1973 Amendment. Subd. (4). L.19 c. 353, § 1, eff. May 22, 1973, inser "located within the state of New Y and within or outside or partially wit and partially outside the municipality whose benefit the agency was create and added a proviso clause.

1972 Amendment. Subd. 3. L.19 c. 190, § 1, eff. May 2, 1972, inserted Indian reservation".

1971 Amendment. Subd. (4). L.19 c. 978, § 2, eff. July 2, 1971, insert "and which may include or mean an i dustrial pollution control facility".

Subd. (8). L.1971, c. 978, § 3, eff. Ju 2, 1971, added subd. (8).

Effective Date. Section effective M 26, 1969, pursuant to L.1969, c. 103 § 3.

Library References

Municipal Corporations ⇐266.
C.J.S. Municipal Corporations §§ 1035, 1037.

§ 856. Organization of industrial development agencies

1. (a) Upon the establishment of an industrial development agency by special act of the legislature, the governing body of the municipality for whose benefit such agency is established shall file within six months after the effective date of the special act of the legislature establishing such agency or before the first day of July, nineteen hundred sixty-nine, whichever date shall be later, in the office of the secretary of state, a certificate setting forth: (1) the date of passage of the special act establishing the agency; (2) the name of the agency; (3) the names of the members and their terms of office, specifying which member is the chairman; and (4) facts establishing the need for the establishment of an agency in such municipality.

(b) Every such agency shall be perpetual in duration, except that if (1) such certificate is not filed with the secretary of state within six months after the effective date of the special act of the legislature establishing such agency or before the first day of July, nineteen hundred sixty-nine, whichever date shall be later, or if (2) at the expiration of ten years subsequent to the effective date of the special act, there shall be outstanding no bonds or other obligations theretofore issued by such agency or by the municipality for or in behalf of the agency, then the corporate existence of such agency shall thereupon terminate and it shall thereupon be deemed to be and shall be dissolved.

(c) On or before March first of each year, the secretary of state shall prepare a list of agencies which failed to file a certificate in accordance with provisions of paragraph (a) of this subdivision within the preceding calendar year and transmit a copy of such list to the state comptroller and the commissioner of the department of economic development. On or before March first of each year the commissioner of the department of economic development shall prepare a list of agencies which have dissolved pursuant to paragraph (b) of this subdivision or have ceased to exist pursuant to section eight hundred eighty-two of this chapter and shall transmit a copy of such list to the state comptroller.

2. An agency shall be a corporate governmental agency, constituting a public benefit corporation. Except as otherwise provided by special act of the legislature, an agency shall consist of not less than three nor more than seven members who shall be appointed by the governing body of each municipality and who shall serve at the pleasure of the appointing authority. Such members may include representatives of local government, school boards, organized labor and business. A member shall continue to hold office until his successor is appointed and has qualified. The governing body of each municipality shall designate the first chairman and file with the secretary of state a certificate of appointment or reappointment of any member. Such members shall receive no compensation for their services but shall be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of their duties.

~~See main volume for 3 and 4~~

(As amended L.1989, c. 692, § 3; L.1993, c. 356, § 5.)

3. A majority of the members of an agency shall constitute a quorum.

4. Any one or more of the members of an agency may be an official or an employee of the municipality. In the event that an official or an employee of the municipality shall be appointed as a member of the agency, acceptance or retention of such appointment shall not be deemed a forfeiture of his municipal office or employment, or incompatible therewith or affect his tenure or compensation in any way. The term of office of a member of an agency who is an official or an employee of the municipality when appointed as a member thereof by special act of the legislature creating the industrial development agency shall terminate at the expiration of the term of his municipal office.

(Added L.1969, c. 1030, § 1; amended L.1978, c. 143, § 1.)

Historical and Statutory Notes

1993 Amendments. Subd. 2. L.1993, c. 356, § 5, made representatives of local governments, school boards, organized labor and business eligible for agency membership. See effective date of amendment note below.

1989 Amendment. Subd. 1, par. (c). L.1989, c. 692, § 3, eff. Jan. 1, 1990, added par. (c).

Effective Date of Amendment by L.1993, c. 356; Applicability. Amendment by L.1993, c. 356, eff. Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 10.

Duration of Village of Groton Industrial Development Agency. The village of Groton industrial development agency shall continue in existence until July 20, 2003, pursuant to L.1993, c. 364, § 1; set out as a note under § 926-l.

1978 Amendment. Subd. 2. L.1978, c. 143, § 1, eff. May 16, 1978, in sentence beginning "Except as otherwise" substituted "seven members" for "five members".

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐10 et seq.
C.J.S. Municipal Corporations § 15.

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1. Compatibility of offices

A county treasurer may simultaneously serve as the treasurer of the county's industrial development agency and may be compensated for service in each position. Op.Atty.Gen. (Inf.) 82-5.

2. Increase of membership

A municipality, under the legislative amendment to this section, may increase the membership of its Industrial Development Agency from five to seven. 1981, Op.Atty.Gen. (Inf.) Mar. 24.

3. Time to appoint members

The failure on the part of the Madison county board of supervisors to appoint the members of the Madison County Industrial Development Agency within the time prescribed for such action may not be rectified by a resolution of said board but may only be remedied by a special act of the state legislature. 1974, Op. Atty.Gen. (Inf.) 265.

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4. Term of office

A town official appointed to an Industrial Development Agency vacates the position at the agency at the time he or she ceases to hold the town office. Op.Atty.Gen. (Inf.) 86-67.

5. Travel expenses

An industrial development agency is not authorized to reimburse members of the agency or its executive director for travel expenses incurred on behalf of spouses. Op.State Compt. 92-51.

§ 858. Purposes and powers of the agency

The purposes of the agency shall be to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities including industrial pollution control facilities, educational or cultural facilities, railroad facilities, horse racing facilities and life care communities, provided, however, that, of agencies governed by this article, only agencies created for the benefit of a county and the agency created for the benefit of the city of New York shall be authorized to provide financial assistance in any respect to a life care community, and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the state of New York and to improve their recreation opportunities, prosperity and standard of living; and to carry out the aforesaid purposes, each agency shall have the following powers:

(1) To sue and be sued;

(2) To have a seal and alter the same at pleasure;

(3) To acquire, hold and dispose of personal property for its corporate purposes;

(4) To acquire by purchase, grant, lease, gift, pursuant to the provisions of the eminent domain procedure law, or otherwise and to use, real property or rights or easements therein necessary for its corporate purposes in compliance with the local zoning and planning regulations and shall take into consideration regional and local comprehensive land use plans and state designated urban cultural management plans, and to sell, convey, mortgage, lease, pledge, exchange or otherwise dispose of any such property in such

(5) To make by-laws for the management and regulation of its affairs and, subject to agreements with its bondholders, for the regulation of the use of a project or projects.

(6) With the consent of the municipality, to use agents, employees and facilities of the municipality, paying the municipality its agreed proportion of the compensation or costs;

(7) To appoint officers, agents and employees, to prescribe their qualifications and to fix their compensation and to pay the same out of funds of the agency;

(8)(a) To appoint an attorney, who may be the counsel of the municipality, and to fix the attorney's compensation for services which shall be payable to the attorney, and to retain and employ private consultants for professional and technical assistance and advice;

(b) An attorney acting as bond counsel for a project must file with the agency a written statement in which the attorney identifies each party to the transaction which such attorney represents. If bond counsel provides any legal services to parties other than the agency the written statement must describe the nature of legal services provided by such bond counsel to all parties to the transaction, including the nature of the services provided to the agency;

(9) To make contracts and leases, and to execute all instruments necessary or convenient to or with any person, firm, partnership or corporation, either public or private;

(10) To acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects;

(11) To accept gifts, grants, loans, or contributions from, and enter into contracts or other transactions with, the United States and the state or any agency of either of them, any municipality, any public or private corporation or any other legal entity, and to use any such gifts, grants, loans or contributions for any of its corporate purposes;

(12) To borrow money and to issue bonds and to provide for the rights of the holders thereof;

(13) To grant options to renew any lease with respect to any project or projects and to grant options to buy any project at such price as the agency may deem desirable;

(14) To designate the depositories of its money either with

(15) To enter into agreements requiring payments in lieu of taxes. Such agreements shall be in writing and in addition to other terms shall contain: the amount due annually to each affected tax jurisdiction (or a formula by which the amount due can be calculated), the name and address of the person, office or agency to which payment shall be delivered, the date on which payment shall be made, and the date on which payment shall be considered delinquent if not paid. Unless otherwise agreed by the affected tax jurisdictions, any such agreement shall provide that payments in lieu of taxes shall be allocated among affected tax jurisdictions in proportion to the amount of real property tax and other taxes which would have been received by each affected tax jurisdiction had the project not been tax exempt due to the status of the agency involved in the project. A copy of any such agreement shall be delivered to each affected tax jurisdiction within fifteen days of signing the agreement. In the absence of any such written agreement, payments in lieu of taxes made by an agency shall be allocated in the same proportions as they had been prior to January first, nineteen hundred ninety-three for so long as the agency's activities render a project non-taxable by affected tax jurisdictions;

(16) To establish and re-establish its fiscal year; and

(17) To do all things necessary or convenient to carry out its purposes and exercise the powers expressly given in this title.

(As amended L.1993, c. 356, §§ 6, 7; L.1994, c. 66, § 10.)

Historical and Statutory Notes

1994 Amendments. Opening par. L.1994, c. 66, § 10, extended purpose to life care communities, provided only agencies created for benefit of county or New York City may give financial aid to such communities. See effective date of amendment note below.

1993 Amendments. Subd. (4). L.1993, c. 356, § 6, provided for compliance with local zoning and planning regulations and consideration of regional, local and state plans, rather than consideration of local zoning and planning regulations and such plans. See effective date of amendment note below.

Subd. (8), par. (a). L.1993, c. 356, § 6, designated existing text as par. (a), and in par. as so designated, deleted specification that compensation was in addition to official compensation. See effective date of amendment note below.

Subd. (8), par. (b). L.1993, c. 356, § 6, added par. (b). See effective date of amendment note below.

Subds. (15) to (17). L.1993, c. 356, § 7, added subd. (15) and redesignated former subds. (15) and (16) as (16) and (17). See effective date of amendment note below.

Effective Date of Amendment by L.1994, c. 66; Implementation; Applicability. Amendment by L.1994, c. 66, eff. Apr. 18, 1994, provided that life care council is authorized to implement amendment in advance of regulations, and that amendment applies only to applicants approved for and having received their certificate of authority by July 1, 2000, pursuant to

Effective Date of Amendment by L.1993, c. 356; Applicability; Expiration or Repeal Unaffected. Amendment by L.1993, c. 356, eff. Oct. 19, 1993, provided that subdivision 15 of section 858 of the General Municipal Law, as added by section seven of said act, shall take effect on Jan. 1, 1994; provided further, that said act shall not apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which said act shall have become a law [became law July 21, 1993] whether or not such projects are thereafter modified; provided further, that nothing contained therein shall be deemed to affect the application, qualification, expiration or repeal of any provision of law amended by any section of said act and such provisions shall be applied or qualified or shall expire or be deemed repealed in the same manner, to the same extent and on the same date as the case may be as otherwise provided by law; pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

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5. Gifts, grants or loans

A municipality may make a gift or loan to its industrial development agency provided the moneys so given or loaned are used for a purpose for which the municipality could use its money. Op. State Compt. 86-22.

12. Housing construction

To qualify for industrial development bond financing, a project should promote employment opportunities and prevent economic deterioration, and whether construction of an apartment complex is such a project must be determined by local officials upon all the relevant facts. Op. State Compt. 85-61.

13. Notice of claim

to properly discharge duty under General Municipal Law was a cause of action sounding in tort, for which service of a notice of claim on municipality was statutory prerequisite to action. Mutuel Ticket Agents, Local 23293 v. Roosevelt Raceway Associates, 1991, 172 A.D.2d 695, 568 N.Y.S.2d 420.

14. Lease agreements

Sale-leaseback agreement by which county industrial development agency purchased and then leased back 21 miles of unused railroad tracks from company, which agreed to maintain and insure tracks and right-of-way, had as its primary purpose as to agency to preserve opportunity to reopen a mine of ilmenite and magnetite ores, to prevent dismantling of railroad, to establish tourist destination location, and to attract wood products manufacturers and industry to state, which were within broad purposes set forth for industrial development agencies

Historical Note

1982 Amendment. Opening par. L.1982, c. 541, § 8, eff. July 20, 1982, inserted "educational or cultural facilities,".

Subd. (4). L.1982, c. 541, § 8, eff. July 20, 1982, in sentence beginning "To acquire by" inserted "and state designated urban cultural management plans".

1980 Amendment. Opening par. L.1980, c. 803, § 4, eff. June 30, 1980, inserted ", railroad facilities".

Subd. (4). L.1980, c. 803, § 5, eff. June 30, 1980, added sentence beginning "In the case".

1978 Amendment. Subd. (4). L.1978, c. 727, § 6, eff. July 1, 1978, substituted "pursuant to the provisions of the eminent domain procedure law" for "condemnation".

1977 Amendments. Opening par. L.1977, c. 630, § 4, eff. Aug. 1, 1977, deleted "winter" following "commercial, research and".

L.1977, c. 267, § 19, eff. 5 days after June 14, 1977, included within its scope horse racing facilities.

1974 Amendments. Opening par. L.1974, c. 954, § 5, eff. June 13, 1974, inserted "winter recreation" and "recreation opportunities, prosperity".

Subd. 4. L.1974, c. 669, § 1, eff. May 30, 1974, inserted provisions requiring consideration of local zoning and planning regulations as well as regional and local comprehensive land use plans.

1971 Amendment. Opening paragraph. L.1971, c. 978, § 4, eff. July 2, 1971, inserted "including industrial pollution control facilities" following "research facilities" and ", health" following "job opportunities".

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Savings Provisions Regarding 1978 Amendment. For savings provision of L.1978, c. 727, see note under section 16–0101 of the environmental conservation law.

Effect of 1978 Amendment Upon Pending Actions or Proceedings. For effect of L.1978, c. 727, on pending actions or proceedings, see note under section 16–0101 of the environmental conservation law.

Library References

Municipal Corporations ⇐265.
C.J.S. Municipal Corporations § 1035 et seq.

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encroached to detriment of private user of those lands under this article, in view of fact that to ignore ownership interests of industrial development agency, as slight as they might be in light of inundation of private, equitable interest in realty, would affect salutary purposes of this article. Lincoln First Bank, N.A. v. Spaulding Bakeries Inc., 1983, 117 Misc.2d 892, 459 N.Y.S.2d 696.

2. Real property, acquisition of

An industrial development agency

agency may not acquire land outside those boundaries. 1980, Op.Atty.Gen. (Inf.) Apr. 29.

3. Appointment of attorney

It is not incumbent upon the Madison county attorney to act as attorney for the Madison County Industrial Development Agency, although he may serve as such attorney when appointed by said agency pursuant to subd. (8) of this section. 1974, Op.Atty.Gen. (Inf.) 287.

4. Contracts

Although, under this section, a municipality and an industrial development agency may enter into a contract for the rendition of public services by the agency and under the general provisions of this section an industrial development agency may enter into contracts with private entities in furtherance of the agency's corporate powers, a municipality, such as a city, has no powers of its own in connection with the type of industrial development activity described in this article. Op.State Compt. 78–749.

5. Gifts, grants or loans

If a county can deliver moneys to an IDA for the latter's permanent use, there can be no legal problem with a county's delivery of money to an IDA, where the latter will refund the money in full at a future time. Op.State Compt. 78–952.

Industrial development is not a proper town purpose and town moneys may not be appropriated therefor. Op.State Compt. 78–745.

There is no authority for a county to make gifts of county funds or property to a county industrial development agency, but money may be paid or property transferred pursuant to the terms of an appropriate contract. Op.State Compt. 72–984.

6. Lending powers

An industrial development agency may not make a loan to a local development corporation without interest to help it pay off a previously incurred

purposes of fostering economic develo ment, promoting job creation and stim lating the local economy, either on i own or by way of a contract with i industrial development agency. O State Compt. 82–296.

An industrial development agen may administer a federal loan progra where funds are allocated toward en gy-savings physical improvements for dustrial and commercial facilities, if t program advances its corporate pu poses. Op.State Compt. 79–784.

An industrial development agency authorized to loan its money to a dev oper for investment in a factory to constructed within the area served the agency. Op.State Compt. 79–2

7. Options

County industrial development agen had power to enter into option agr ment for sale of real property in conte plation of construction of commercial cilities. Grossman v. Herkimer Cou Indus. Development Agency, 1977, A.D.2d 172, 400 N.Y.S.2d 623.

Action of county industrial devel ment agency in granting of option agr ment and selling property to private p ty for purpose of replacing unreprod tive and unoccupied industrial build with new mercantile building of con erable size, which would ultimately ate about 100 jobs, was within scop relevant statutory policy and agen purposes. Id.

8. Depositories

Moneys received by an industrial velopment agency from a tenant as ministrative fees which are to be use pay for miscellaneous expenses of agency may be deposited or invested savings and loan association. Op.S Compt. 80–80.

9. Building permits

A city industrial development ag need not not obtain building pe where it contracts with a contractor

10. Expenses

An industrial development agency may not pay the convention expenses incurred by the spouse of a member. Op.State Compt. 79-574.

11. Health related facilities

Industrial development agencies do not have the power to assist in financing hospitals as defined in section 2801 of the Public Health Law. 1981, Op.Atty.Gen. Dec. 22.

An industrial development agency does not have the power to assist in financing nursing homes or other health-related facilities under this article as now written. 1980, Op.Atty.Gen. (Inf.) Apr. 29.

§ 858-a. Compensation, procurement and investment

1. The compensation of an officer or full-time employee of the agency (but not including part-time employees or consultants, including accountants, attorneys and bond counsel to the agency) shall not be contingent on the granting of financial assistance by an agency.

2. The provisions of section one hundred four-b of this chapter, shall be applicable to the procurement of goods and services paid for by an agency for its own use and account.

3. The provisions of sections ten and eleven of this chapter shall be applicable to deposits and investments of funds for an agency's own use and account.

(Added L.1993, c. 356, § 8.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

§ 858-b. Equal employment opportunities

1. Each agency shall ensure that all employees and applicants for employment are afforded equal employment opportunity without discrimination.

2. Except as is otherwise provided by collective bargaining contracts or agreements, new employment opportunities created as a result of projects of the agency shall be listed with the New York state department of labor community services division, and with the administrative entity of the service delivery area created by the federal job training partnership act (P.L. No. 97-300) in which the project is located. Except as is otherwise provided by collective bargaining contracts or agreements, sponsors of projects shall agree, where practicable, to first consider persons eligible to participate in the federal job training partnership (P.L. No. 97-300) programs who shall be referred by administrative entities of service delivery areas created pursuant to such act or by the community services division of the department of labor for such new employment opportunities.

(Added L.1993, c. 356, § 9.)

[1] So in original. Inadvertently added second "such".

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

§ 859. Financial records

1. (a) Each agency shall maintain books and records in such form as may be prescribed by the state comptroller.

(b) Within ninety days following the close of its fiscal year, each agency or authority shall prepare a financial statement for that fiscal year in such form as may be prescribed by the state comptroller. Such statement shall be audited within such ninety day period by an independent certified public accountant in accordance with government accounting standards established by the United States general accounting office. The audited financial statement shall include supplemental schedules listing all straight-lease tranbactions and bonds and notes issued, outstanding or retired during the applicable accounting period whether or not such bonds, notes or transactions are considered obligations of the agency. For each issue of bonds or notes such schedules shall provide the name of each project financed with proceeds of each issue, and whether the project occupant is a not-for-profit corporation, the name and address of each owner of each project, the estimated amount of tax exemptions authorized for each project, the purpose for which each bond or note was issued, date of issue, interest rate at issuance and if variable the range of interest rates applicable, maturity date, federal tax status of each issue, and an estimate of the number of jobs created and retained by each project. For each straight lease transaction, such schedules shall provide the name of each project, and whether the project occupant is a not-for-profit corporation, the name and address of each owner of each project, the estimated amount of tax exemptions authorized for each project, the purpose for which each transaction was made, the method of financial assistance utilized by the project, other than the tax exemptions claimed by the project and an estimate of the number of jobs created and retained by each project.

(c) Within thirty days after completion, a copy of the audited financial statement shall be transmitted to the commissioner of the department of economic development, the state comptroller and the governing body of the municipality for whose benefit the agency was created.

(e) If an agency or authority shall fail to file or substantially complete, as determined by the state comptroller, the financial statement required by this section, the state comptroller shall provide notice to the agency or authority. The notice shall state the following:

(i) that the failure to file a financial statement as required is a violation of this section, or in the case of an insufficient financial statement, the manner in which the financial statement submitted is deficient;

(ii) that the agency or authority has thirty days to comply with this section or provide an adequate written explanation to the comptroller of the agency's or authority's reasons for the inability to comply; and

(iii) that the agency's or authority's failure to provide either the required financial statement or an adequate explanation will result in the notification of the chief executive officer of the municipality for whose benefit the agency or authority was created of the agency's noncompliance with this section. Where such agency or authority has failed to file the required statement, the comptroller shall additionally notify the agency or authority that continued failure to file the required statement may result in loss of the agency's or authority's authority to provide exemptions from state taxes.

(iv) If an agency or authority after thirty days has failed to file the required statement or the explanation in the manner required by subparagraph (i) of this paragraph, or provides an insufficient explanation, the comptroller shall notify the chief executive officer of the municipality for whose benefit the agency or authority was created and the agency of the agency's or authority's noncompliance with this section. Such notice from the state comptroller shall further delineate in what respect the agency or authority has failed to comply with this section. If the agency or authority has failed to file the required statement, the notice shall additionally state that continued failure to file the required statement may result in loss of the agency's or authority's authority to provide exemptions from state taxes.

(v) If, thirty days after notification of the chief executive officer of the municipality for whose benefit the agency or authority was created of the agency's or authority's noncompliance, the agency or authority fails to file the required statement, the comptroller shall notify the chief executive officer of the municipality for whose benefit that agency or authority was created and the agency or authority that if such report is not provided within sixty days, that the agency or authority will no longer be authorized to provide exemptions from state taxes.

(vi) If, sixty days after the notification required by subparagraph (v) of this paragraph, the comptroller has not received the required statement, the agency or authority shall not offer financial assistance which provides exemptions from state taxes until such financial statement is filed and the comptroller shall so notify the agency or authority and the chief executive officer of the municipality for whose benefit the agency was created. Provided, however, that nothing contained in this paragraph shall be deemed to modify the terms of any existing agreements.

2. On or before September first of each year, the commissioner of the department of economic development shall prepare and submit to the governor, speaker of the assembly, majority leader of the senate, and the state comptroller, a report setting forth a summary of the significant trends in operations and financing by agencies and authorities; departures from acceptable practices by agencies and authorities; a compilation by type of the bonds

commissioner bears upon the discharge of the statutory functions of agencies and authorities.

3. On or before April first, nineteen hundred ninety-six, the commissioner shall submit to the director of the division of the budget, the temporary president of the senate, the speaker of the assembly, the chairman of the senate finance committee, the chairman of the assembly ways and means committee, the chairman of the senate local government committee, the chairman of the senate committee on commerce, economic development and small business, the chairman of the assembly committee on commerce, industry and economic development, the chairman of the assembly local governments committee and the chairman of the assembly real property taxation committee an evaluation of the activities of industrial development agencies and authorities in the state prepared by an entity independent of the department. Such evaluation shall identify the effect of agencies and authorities on: (a) job creation and retention in the state, including the types of jobs created and retained; (b) the value of tax exemptions provided by such agencies and authorities; (c) the value of payments received in lieu of taxes received by municipalities and school districts as a result of projects sponsored by such entities; (d) a summary of the types of projects that received financial assistance; (e) a summary of the types of financial assistance provided by the agencies and authorities; (f) a summary of criteria for evaluation of projects used by agencies and authorities; (g) a summary of tax exemption policies of agencies and authorities; and (h) such other factors as may be relevant to an assessment of the performance of such agencies and authorities in creating and retaining job opportunities for residents of the state. Such evaluation shall also assess the process by which agencies and authorities grant exemptions from state taxes and make recommendations for the most efficient and effective procedures for the use of such exemptions. Such evaluation shall further include any recommendations for changes in laws governing the operations of industrial development agencies and authorities which would enhance the creation and retention of jobs in the state.

(Added L.1989, c. 692, § 4; amended L.1993, c. 356, §§ 10 to 12; L.1993, c. 357, §§ 1, 2.)

Historical and Statutory Notes

1993 Amendments. Subd. 1, par. (b). L.1993, c. 357, § 1, eff. Oct. 19, 1993, made technical changes.

L.1993, c. 356, § 10, extended requirement of annual financial report to authorities; required financial statement to list straight-lease transactions; required schedules for bond or note issues to indicate whether project occupant is non-profit corporation, required report of estimated amount of tax exemptions authorized rather than report of amount of tax exemptions granted, and required estimate of jobs created and retained by project; and set out specific information to be reported concerning straight-lease transactions. See effective date of amendment note below.

Subd. 1, par. (e), opening par. L.1993, c. 357, § 2, eff. Oct. 19, 1993, made a "will no longer be authorized" for "will no longer be permitted".

Subd. 1, par. (e). L.1993, c. 356, § 11, added par. (e). See effective date of amendment note below.

Subd. 2. L.1993, c. 356, § 12, included authorities within report requirements; required report include all outstanding straight-lease transactions and estimated jobs created and retained by projects; and deleted specification of functions as those defined by this chapter. See effective date of amendment note below.

Subd 3. L.1993, c. 356, § 12, added subd. 3. See effective date of amendment note below.

Effective Date of Amendment by L.1993, c. 356; Applicability. Amendment by L.1993, c. 356, eff. Oct. 19, 1993, but not to apply to projects for which an

has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

Effective Date. Section effective Jan. 1, 1990, pursuant to L.1989, c. 692, § 5.

Former Section 859. A former § 859, added L.1983, c. 983, § 1; amended L.1986, c. 905, § 3, related to the reporting of information in compliance with certain federal requirements and was repealed by L.1988, c. 772, § 3, eff. Dec. 28, 1988.

Effective Date; Expiration. Section 2 of L.1983, c. 983, provided: "This act [adding this section] shall take effect immediately [Aug. 8, 1983] and shall remain in effect until December thirty-first, nineteen hundred eighty-six, at which time section eight hundred fifty-nine of the general municipal law, as added by section one of this act shall be deemed to be repealed."

Library References

Municipal Corporations ⇐885.
C.J.S. Municipal Corporations § 1885.

§ 859–a. Additional prerequisites to the provisions of financial assistance

Prior to providing any financial assistance of more than one hundred thousand dollars to any project, the agency must comply with the following prerequisites:

1. The agency must adopt a resolution describing the project and the financial assistance that the agency is contemplating with respect to such project. Such assistance shall be consistent with the uniform tax exemption policy adopted by the agency pursuant to subdivision four of section eight hundred seventy-four of this chapter, unless the agency has followed the procedures for deviation from such policy specified in paragraph (b) of such subdivision.

2. The agency must hold a public hearing with respect to the project and the proposed financial assistance being contemplated by the agency. Said public hearing shall be held in a city, town or village where the project proposes to locate. At said public hearing, interested parties shall be provided reasonable opportunity, both orally and in writing, to present their views with respect to the project.

3. The agency must give at least ten days published notice of said public hearing and shall, at the same time, provide notice of such hearing to the chief executive officer of each affected tax jurisdiction within which the project is located. The notice of hearing must state the time and place of the hearing, contain a general, functional description of the project, describe the prospective location of the project, identify the initial owner, operator or manager of the project and generally describe the financial assistance contemplated by the agency with respect to the project.

(Added L.1993, c. 356, § 13.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to any assistance prior to the date on which this act shall have become a law whether

§ 859–b. Special procedure for the provision of financial assistance to life care communities

1. Any applicant for financing of a life care community shall present a completed application for a certificate of authority and documentation establishing the life care community council's approval of that application, pursuant to article forty-six of the public health law.

2. If requested by the agency, the applicant shall present an analysis dealing with any of the issues identified in paragraph (a) of subdivision four of section eight hundred seventy-four of this article.

3. Applicants shall present the financial feasibility study, including a financial forecast and market study, and the analysis of economic costs and benefits required by article forty-six of the public health law.

4. Any information presented by the applicant pursuant to subdivisions one, two and three of this section shall be made available at the time required for published notice of the public hearing required by section eight hundred fifty-nine-a of this article. The agency shall make such information available during regular office hours in at least two locations, at least one of which shall be in the city, town or village within which the proposed project is located. Such notice shall include a statement indicating the location and times of availability of the information required by this section.

5. The industrial development agency may require the applicant to provide any additional information which it requires in order to meet the purposes of this article.

(Added L.1994, c. 66, § 11.)

Historical and Statutory Notes

Effective Date; Implementation; Applicability. Section effective Apr. 18, 1994, provided that life care council is authorized to implement section in advance of regulations, and that section applies only to applicants approved for and having received their certificate of authority by July 1, 2000, pursuant to L.1994, c. 66, § 15, set out as a note under § 854.

Life Care Community Council Reports to Governor and Legislature. L.1994, c. 66, § 14, eff. Apr. 18, 1994, provided:

"a. The life care community council established pursuant to article 46 of the public health law is directed to investigate and report to the governor and the legislature not later than September 30, 1995, on the advisability of authorizing, pursuant to article 46 of the public health law or alternate procedures, the development and financing of alternate models of continuing

has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

Effective Date. Section effective Jan. 1, 1990, pursuant to L.1989, c. 692, § 5.

Former Section 859. A former § 859, added L.1983, c. 983, § 1; amended L.1986, c. 905, § 3, related to the reporting of information in compliance with certain federal requirements and was repealed by L.1988, c. 772, § 3, eff. Dec. 28, 1988.

§ 859-a. Additional prerequisites to the provisions of financial assistance

Prior to providing any financial assistance of more than one hundred thousand dollars to any project, the agency must comply with the following prerequisites:

1. The agency must adopt a resolution describing the project and the financial assistance that the agency is contemplating with respect to such project. Such assistance shall be consistent with the uniform tax exemption policy adopted by the agency pursuant to subdivision four of section eight hundred seventy-four of this chapter, unless the agency has followed the procedures for deviation from such policy specified in paragraph (b) of such subdivision.

2. The agency must hold a public hearing with respect to the project and the proposed financial assistance being contemplated by the agency. Said public hearing shall be held in a city, town or village where the project proposes to locate. At said public hearing, interested parties shall be provided reasonable opportunity, both orally and in writing, to present their views with respect to the project.

3. The agency must give at least ten days published notice of said public hearing and shall, at the same time, provide notice of such hearing to the chief executive officer of each affected tax jurisdiction within which the project is located. The notice of hearing must state the time and place of the hearing, contain a general, functional description of the project, describe the prospective location of the project, identify the initial owner, operator or manager of the project and generally describe the financial assistance contemplated by the agency with respect to the project.

(Added L.1993, c. 356, § 13.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

59-b. Special procedure for the provision of financial assistance to life care communities

1. Any applicant for financing of a life care community shall present a completed application for a certificate of authority and documentation establishing the life care community council's approval of that application, pursuant to article forty-six of the public health law.

2. If requested by the agency, the applicant shall present an analysis dealing with any of the issues identified in paragraph (a) of subdivision four of section eight hundred seventy-four of this article.

3. Applicants shall present the financial feasibility study, including a financial forecast and market study, and the analysis of economic costs and benefits required by article forty-six of the public health law.

4. Any information presented by the applicant pursuant to subdivisions one, two and three of this section shall be made available at the time required for published notice of the public hearing required by section eight hundred fifty-nine-a of this article. The agency shall make such information available during regular office hours in at least two locations, at least one of which shall be in the city, town or village within which the proposed project is located. Such notice shall include a statement indicating the location and times of availability of the information required by this section.

5. The industrial development agency may require the applicant to provide any additional information which it requires in order to meet the purposes of this article.

(Added L.1994, c. 66, § 11.)

Historical and Statutory Notes

Effective Date; Implementation; Applicability. Section effective Apr. 18, 1994, provided that life care council is authorized to implement section in advance of regulations, and that section applies only to applicants approved for and having received their certificate of authority by July 1, 2000, pursuant to L.1994, c. 66, § 15, set out as a note under § 854.

Life Care Community Council Reports to Governor and Legislature. L.1994, c. 66, § 14, eff. Apr. 18, 1994, provided:

"a. The life care community council established pursuant to article 46 of the public health law is directed to investigate and report to the governor and the legislature not later than September 30, 1995, on the advisability of authorizing, pursuant to article 46 of the public health law or alternate procedures, the development and financing of alternate models of continuing

care community, including modified and fee-for-service models, consistent with fiscal prudence, development of an affordable and rational continuum of care, and the interests of consumers. In so investigating, the life care community council shall invite the participation or contribution, at minimum, of consumers, facilities and other health and supportive service providers, underwriters and financiers, experts in health care and health care financing, and their representatives.

"b. In consultation with the departments of economic development, insurance, health, and the division of the budget, the council shall report to the governor and the chairs of the senate finance committee and assembly ways and means committee on the financing of life care communities in New York state. The council may request, and shall receive, the technical assistance of any state or local government, industrial development agency, or public authority in performing such reporting requirement. Such report shall be issued no later than January 15, 2000 and shall include the following:

"(i) an evaluation of each life care community granted a certificate of authority pursuant to article 46 of the public health law, including:

"(a) the amount and types of agency bonds issued and then outstanding;

"(b) any additional financing or equity provided;

"(c) an accounting of the project's operations, including revenues and expenditures; and

"(d) historic and projected debt service coverage ratios;

"(ii) an evaluation and analysis of the existing and alternative financing methods for life care communities, including the risks and benefits of each;

"(iii) an evaluation of the economic benefits and costs of each life care community, including:

"(a) private sector jobs created or preserved;

"(b) any additional sources of revenue created or enhanced;

"(c) the value of state and local tax or other exemptions provided;

"(d) the costs of additional facilities and services provided by the state and municipalities, including but not limited to education, transportation, and police, fire, medical or other emergency services;

"(e) any other economic development benefit or cost of the project; and

"(iv) any other information deemed relevant."

§ 860. Moneys of the agency

The agency shall have power to contract with the holders of any of its bonds or notes as to the custody, collection, securing, investment and payment of any moneys of the agency or any moneys held in trust or otherwise for the payment of bonds or notes or in any way to secure bonds or notes and to carry out any such contract. Moneys held in trust or otherwise for the payment of bonds or notes or in any way to secure bonds or notes and deposits of such moneys may be secured in the same manner as moneys of the agency, and all banks and trust companies are authorized to give such security for such deposits.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐879.
C.J.S. Municipal Corporations § 1878.

Notes of Decisions

1. Audit

There is no statutory or constitutional mandate that the financial records of industrial development agencies be examined by the State Comptroller. Op. State Compt. 80-676.

§ 861. Notification of budget

Each agency shall mail or deliver to the chief executive officer and the governing body of the municipality for whose benefit the agency was established and make available for public inspection and comment its proposed budget for the forthcoming fiscal year, no later than twenty business days before adoption. At such time, the agency shall file its proposed budget with the clerk of the municipality for whose benefit the agency was established. Such proposed budget shall contain detailed estimates in writing of the amount of revenues to be received and expenditures to be made during the forth

coming fiscal year. Following its consideration of the comments received, the agency may revise its budget accordingly and shall file the revised budget with the clerk of the municipality.

(Added L.1993, c. 356, § 14.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under General Municipal Law § 854.

§ 862. Restrictions on funds of the agency [For expiration of amendments by L.1993, cc. 356, 357, see notes below.]

1. No financial assistance of the agency shall be used in respect of any project if the completion thereof would result in the removal of a facility or plant of the project occupant from one area of the state to another area of the state or in the abandonment of one or more plants or facilities of the project occupant located within the state, provided, however, that neither restriction shall apply if the agency shall determine on the basis of the application before it that the project is reasonably necessary to discourage the project occupant from removing such other plant or facility to a location outside the state or is reasonably necessary to preserve the competitive position of the project occupant in its respective industry.

2. (a) Except as provided in paragraph (b) of this subdivision, no financial assistance of the agency shall be provided in respect of any project where facilities or property that are primarily used in making retail sales to customers who personally visit such facilities constitute more than one-third of the total project cost. For the purposes of this article, retail sales shall mean: (i) sales by a registered vendor under article twenty-eight of the tax law primarily engaged in the retail sale of tangible personal property, as defined in subparagraph (i) of paragraph four of subdivision (b) of section eleven hundred one of the tax law; or (ii) sales of a service to such customers. Except, however, that tourism destination projects and projects operated by not-for-profit corporations shall not be prohibited by this subdivision. For the purpose of this paragraph, "tourism destination" shall mean a location or facility which is likely to attract a significant number of visitors from outside the economic development region as established by section two hundred thirty of the economic development law, in which the project is located.

(b) Notwithstanding the provisions of paragraph (a) of this subdivision, financial assistance may, however, be provided to a project where facilities or property that are primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain such goods or services constitute more than one-third of the total project cost, where (i) the project occupant would, but for the assistance provided by the agency, locate the related jobs outside the state, or (ii) the predominant purpose of the project would be to make available goods or services which would not, but for the project, be reasonably accessible to the residents of the city, town, or village within which the proposed project would be located because of a lack of reasonably accessible retail trade facilities offering such goods or services, or (iii) the project is located in a highly distressed area.

Financial Assistance of 1/3 of Project Cost

Financial assistance may begin in spite of if the Project is in a distressed area

undertaking, the project will serve the public purposes of this article, by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the state. Where the agency makes such a finding, prior to providing financial assistance to the project by the agency, the chief executive officer of the municipality for whose benefit the agency was created shall confirm the proposed action of the agency.

3. No funds of the agency shall be used for the purpose of preventing the establishment of an industrial or manufacturing plant, nor shall any funds of the agency be given to any group or organization which is attempting to prevent the establishment of an industrial or manufacturing plant within this state nor shall such funds be used for advertising or promotional materials which depict elected or appointed government officials in either print or electronic media.

(As amended L.1993, c. 356, § 15; L.1993, c. 357, § 3.)

Historical and Statutory Notes

1993 Amendments. Subd. 1. L.1993, c. 356, § 15, designated existing text of section as subd. 1, and in subd. as so designated, substituted prohibition against use of financial assistance of agency if result would remove facility or plant for prohibition against use of funds of agency if result would remove industrial or manufacturing plant. For eff. date of this amendment, see note below.

Subd. 2, par. (c). L.1993, c. 357, § 3, substituted confirmation by chief executive officer of municipality before provision of financial assistance for such confirmation before grant of assistance. For effective date, see note below.

Subd. 2. L.1993, c. 356, § 15, added subd. 2. See effective date of amendment note below.

Subd. 3. L.1993, c. 356, § 15, added subd. 3. See effective date of amendment note below.

Effective Date of Amendment by L.1993, c. 357. L.1993, c. 357, § 15, provided: "This act [amending General Municipal Law §§ 859, 862, 874, and Public Authorities Law §§ 1951, 1952, 1953, 1953-a, 1963-a, 1964-a, 2306, 2307, 2311, 2315 and 2327 and amending effective date provision of L.1993, c. 356, set out as note under General Municipal Law § 854] shall take effect on the same date as a chapter of the laws of 1993 amending the general municipal law and the public authorities law relating to industrial development agencies and industrial development authorities, as proposed in legislative bills numbers S. 6705-C and A. 7103-A [L.1993, c. 356; see note below], takes effect."

Effective Date of Amendment by L.1993, c. 356; Applicability; Expiration, Amendment by L.1993, c. 356, § 15, eff. Oct. 19, 1993, and to remain in full force and effect until July 1, 1996, and provided further that said act shall not apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which said act shall have become a law [became law July 21, 1993] whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 38, set out as a note under § 854.

Notes of Decisions

1. Purpose

Municipal development agency's financial assistance in relocating industry within the municipality did not violate statute prohibiting spending of funds to relocate industry from one area of state to another, that statute was only intended to prevent municipalities from pirating each other's industries. Northeast Parent & Child Soc., Inc. v. City of Schenectady Indus. Development Agency, 1985, 114 A.D.2d 741, 494 N.Y.S.2d 502.

§ 862-a. Additional restrictions on funds of the agency in connection with life care communities

No resolution authorizing the issuance of bonds, notes or other obligations of the agency, or for providing financial assistance in any respect, for any life care community project shall be adopted unless and until the project has received a certificate of authorization pursuant to section forty-six hundred four-a of the public health law, and unless the project will serve the public purposes of this article by preserving permanent, private sector jobs or increasing the overall number of permanent, private sector jobs in the state.

(Added L.1994, c. 66, § 12.)

Historical and Statutory Notes

Effective Date; Implementation; Applicability. Section effective Apr. 18, 1994, provided that life care council is authorized to implement section in advance of regulations, and that section applies only to applicants approved for and having received their certificate of authority by July 1, 2000, pursuant to L.1994, c. 66, § 15, set out as a note under § 854.

§ 864. Bonds of the agency

(1) The agency shall have the power and is hereby authorized from time to time to issue negotiable bonds for any of its corporate purposes without limitation as to amount. The agency shall have power from time to time and whenever it deems refunding expedient, to refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and may issue bonds partly to refund bonds then outstanding and partly for any other purpose hereinabove described. The refunding bonds may be exchanged for the bonds to be refunded, with such cash adjustments as may be agreed, or may be sold and the proceeds applied to the purchase or redemption of the bonds to be refunded. Except as may otherwise be expressly provided by the agency, the bonds of every issue shall be special obligations of the agency payable solely from revenues derived from the leasing, sale or other disposition of a project, subject only to any agreements with the holders of particular bonds pledging any particular moneys or revenues. Whether or not the bonds are of such form and character as to be negotiable instruments under article eight of the uniform commercial code,[1] the bonds shall be, and are hereby made, negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the bonds for registration.

(2) The bonds shall be authorized by resolution of the agency and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates, payable at such time or times, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in lawful money of the United States of America at such place or places, either within or without the state, and be subject to such terms of redemption as such resolution or resolutions may provide. The bonds may be sold at public or private sale at such price or prices as the agency shall determine.

(3) Any resolution or resolutions authorizing any bonds or any issue of bonds may contain provisions, which shall be a part of the contract with the holders of the bonds thereby authorized, as to:

(a) pledging all or any part of the revenues derived from the leasing, sale or other disposition of a project or projects to secure the payment of the bonds, subject to such agreements with bondholders as may then exist;

(b) the rentals, fees, and other charges to be charged, and the amounts to be raised in each year thereby, and the use and disposition of the revenues;

(c) the setting aside of reserves or sinking funds, and the regulation and disposition thereof;

(d) limitations on the right of the agency to restrict and regulate the use of a project;

(e) limitations on the purpose to which the proceeds of sale of any issue of bonds then or thereafter to be issued may be applied and pledging such proceeds to secure the payment of the bonds or any issue of the bonds;

(f) the terms upon which additional bonds may be issued and secured; the refunding of outstanding or other bonds;

(g) the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(h) vesting in a trustee or trustees such property, rights, powers and duties in trust as the agency may determine which may include any or all the rights, powers and duties of the trustees appointed by the bondholders and limiting or abrogating the right of the bondholders to appoint a trustee or limiting the rights, duties and powers of trustee;

(i) any other matters, of like or different character, which in any way affect the security or protection of the bonds.

(Added L.1969, c. 1030, § 1.)

[1] Uniform Commercial Code § 8-101 et seq.

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇨911 et seq.
C.J.S. Municipal Corporations §§ 1907

§ 866. Notes of the agency

The agency shall have power from time to time to issue notes and from time to time to issue renewal notes (herein referred to as notes) maturing not later than five years from their respective original dates for any purpose or purposes for which bonds may be issued, whenever the agency shall determine that payment thereof can be made in full from any moneys or revenues which the agency expects to receive from any source. The agency may secure the notes in the same manner and with the same effect as herein provided for bonds. The notes shall be issued in the same manner as bonds. The agency shall have power to make contracts for the future sale from time to time of the notes, by which the purchasers shall be committed to purchase the notes from time to time on terms and conditions stated in such contracts, and the agency shall have power to pay such consideration as it shall deem proper for such commitments. In case of default on its notes or violation of any of the obligations of the agency to the noteholders, the noteholders shall have all the remedies provided herein for bondholders. Such notes shall be as fully negotiable as the bonds of the agency.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐908.
C.J.S. Municipal Corporations § 1904.

§ 868. Agreements of the municipality and state

The municipality is authorized to, and the state does hereby, pledge to and agree with the holders of the bonds or notes that neither the municipality nor the state, respectively, will limit or alter the rights, hereby vested in the agency to acquire, construct, reconstruct, improve, maintain, equip and furnish the project or projects, to establish and collect rentals, fees and other charges and to fulfill the terms of any agreements made with the holders of the bonds or notes nor in any way impair the rights and remedies of the bondholders or noteholders until the bonds or notes, together with interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders or noteholders are fully met and discharged.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐908, 937.
C.J.S. Municipal Corporations §§ 1904, 1956 et seq.

§ 870. State and municipality not liable on bonds or notes

The bonds or notes and other obligations of the authority shall not be a debt of the state or of the municipality, and neither the state nor the municipality shall be liable thereon, nor shall they be payable out of any funds other than those of the agency.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐908, 937.
C.J.S. Municipal Corporations §§ 1904, 1956 et seq.

Notes of Decisions

1. Liability of county

Waste disposal agreements between counties and industrial development agency operating solid waste incinerator facility did not unlawfully obligate counties to pay agency bonds, though waste disposal agreements were designed to cover agency's operating costs, including debt service on bonds, in that counties' obligation was terminable upon certain contingencies, and counties were not liable to bond holders. Congdon v. Washington County, 1987, 130 A.D.2d 27, 518 N.Y.S.2d 224, appeal denied 70 N.Y.2d 610, 522 N.Y.S.2d 110, 516 N.E.2d 1223.

§ 872. Bonds and notes as legal investment

The bonds and notes are hereby made securities in which all public officers and bodies of this state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, and all other persons whatsoever except as hereinafter provided, who are now or may hereafter be authorized to invest in bonds or notes or other obligations of the state, may properly and legally invest funds including capital in their control or belonging to them. The bonds or notes are also hereby made securities which may be deposited with and shall be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of this state is now or may hereafter be authorized.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Cross References

Investment of moneys in reserve funds, see section 6-f.
Investments of insurance companies, see Insurance Law § 1401 et seq.

Library References

Trusts ⇐217.3(7).
C.J.S. Trusts § 326.

Notes of Decisions

1. Municipalities

Municipalities may legally invest funds in the bonds and notes of a county industrial development agency. Op. State Compt. 72-984.

§ 874. Tax exemptions

(1) It is hereby determined that the creation of the agency and the carrying out of its corporate purposes is in all respects for the benefit of the people of the state of New York and is a public purpose, and the agency shall be regarded as performing a governmental function in the exercise of the powers conferred upon it by this title and shall be required to pay no taxes or assessments upon any of the property acquired by it or under its jurisdiction or control or supervision or upon its activities.

(2) Any bonds or notes issued pursuant to this title, together with the income therefrom, as well as the property of the agency, shall be exempt from taxation, except for transfer and estate taxes.

(3) Payments in lieu of taxes received by the agency shall be remitted to each affected tax jurisdiction within thirty days of receipt.

(4)(a) The agency shall establish a uniform tax exemption policy, with input from affected tax jurisdictions, which shall be applicable to the provision of financial assistance pursuant to section eight hundred fifty-nine-a of this chapter and shall provide guidelines for the claiming of real property, mortgage recording, and sales tax exemptions. Such guidelines shall include, but not be limited to: period of exemption; percentage of exemption; types of projects for which exemptions can be claimed; procedures for payments in lieu of taxes and instances in which real property appraisals are to be performed as a part of an application for tax exemption; in addition, agencies shall in adopting such policy consider such issues as: the extent to which a project will create or retain permanent, private sector jobs; the estimated value of any tax exemptions to be provided; whether affected tax jurisdictions shall be reimbursed by the project occupant if a project does not fulfill the purposes for which an exemption was provided; the impact of a proposed project on existing and proposed businesses and economic development projects in the vicinity; the amount of private sector investment generated or likely to be generated by the proposed project; the demonstrated public support for the proposed project; the likelihood of accomplishing the proposed project in a timely fashion; the effect of the proposed project upon the environment; the extent to which the proposed project will require the provision of additional services, including, but not limited to additional educational, transportation, police, emergency medical or fire services; and the extent to which the proposed project will provide additional sources of revenue for municipalities and school districts.

(b) The agency shall establish a procedure for deviation from the uniform tax exemption policy required pursuant to this subdivision. The agency shall set forth in writing the reasons for deviation from such policy, and shall further notify the affected local taxing jurisdictions of the proposed deviation from such policy and the reasons therefor.

(5) Payments in lieu of taxes which are delinquent under the agreement or which an agency fails to remit pursuant to subdivision three of this section, shall be subject to a late payment penalty of five percent of the amount due which shall be paid by the project occupant (where taxes are delinquent because of the occupant's failure to make the required payment) or the agency

...ected tax jurisdiction on the total amount due plus a late payment penalty in the amount of one percent per month until the payment is made.

(6) An affected tax jurisdiction which has not received a payment in lieu of taxes due to it under an agreement may commence legal action in any court of competent jurisdiction directly against any person, firm, corporation, organization or agency which is obligated to make payments in lieu of taxes under an agreement and has failed to do so. In such an action, the affected tax jurisdiction shall be entitled to recover the amount due, the late payment penalty, interest, expenses, costs and disbursements together with the reasonable attorneys' fees necessary to prosecute such action. Nothing herein shall be construed as providing an affected tax jurisdiction with the right to sue and recover from an agency which has not received payments in lieu of taxes from a project occupant.

(7) Any refinancing of a project shall be subject to the provisions of section eight hundred fifty-nine-a of this chapter, except where such refinancing was previously approved pursuant to such section.

"(8) Agents of an agency and project operators shall annually file a statement with the state department of taxation and finance, on a form and in such a manner as is prescribed by the commissioner of taxation and finance, of the value of all sales and use tax exemptions claimed by such agents or agents of such agents or project operators, including, but not limited to, consultants or subcontractors of such agents or project operators, under the authority granted pursuant to this section. The penalty for failure to file such statement shall be the removal of authority to act as an agent of an agency or a project operator.

(As amended L.1992, c. 772, § 1; L.1993, c. 356, §§ 16, 17; L.1993, c. 357, § 4.)

Historical and Statutory Notes

1993 Amendments. Subd. (3). L.1993, c. 356, § 16, substituted requirement that payments in lieu of taxes be remitted to affected tax jurisdiction within 30 days of receipt for requirement that such payments be remitted to appropriate municipality within 30 days of receipt by agency. See effective date of amendment note below.

Subd. (4), par. (a). L.1993, c. 357, § 4, eff. Oct. 19, 1993, substituted input by affected tax jurisdiction in establishing policy applicable to provision of financial assistance for input of affected local taxing jurisdictions in establishing policy applicable to grants of financial assistance, and required that guidelines include procedures for payments in lieu of taxes rather than procedures for payments in lieu of real property taxes.

Subd. (4). L.1993, c. 356, § 17, added subd. (4). See effective date of amendment note below.

Subd. (8). L.1993, c. 357, § 4, eff. Oct. 19, 1993, required project operators to file annual statement; required statements of agents and project operators to include value of use tax exemptions claimed; and extended liability for not filing statement to project operators.

L.1993, c. 356, § 17, added subd. (8). See effective date of amendment note below.

1992 Amendments. Subd. (3). L.1992, c. 772, § 1, eff. Aug. 7, 1992, added subd. (3).

Effective Date of Amendment by L.1993, c. 356; Applicability. Amendment by L.1993, c. 356, eff. Oct. 19, 1993, but not to apply to projects for which an agency, through the issuance of its bonds, execution of leases, or the passage of an inducement resolution or bond resolution, has authorized any assistance prior to the date on which this act shall have become a law, whether or not such projects are

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Cross References

Exemptions from taxation, see Real Property Tax Law § 412-a.

New York Codes, Rules and Regulations

Corporations not subject to franchise tax under article 9-A of the Tax Law, see 20 NYCRR 1-3.4.

Library References

Taxation ⇐217.
C.J.S. Taxation § 260.

Notes of Decisions

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1. Property or activities within section

A race track owned by a county industrial development agency is a commercial enterprise that falls within the scope of activities which such agency is statutorily authorized to pursue and is, therefore, entitled to an exemption from real property taxation. 3 Op.Counsel S.B. E.A. No. 76.

2. Lessee, liability of

Since normal grievance procedures were not available to review realty taxes which lessee of exempt property owned by industrial development agency had agreed to pay, contract of lessee with town and board of education providing for arbitration of disputes relating to lessee's realty taxes was not illegal or unconstitutional. Baker v. Cole-Layer-Trumble Co., 1973, 42 A.D.2d 581, 344 N.Y.S.2d 695.

3. Mortgage recording tax

This section, which exempts industrial development agencies from taxes and assessments, read in conjunction with section 858, which empowers development agencies to engage in various transactions regarding real property, and section 888, which provides that this article controls with respect to inconsistencies in other laws, indicate an intention to exempt industrial development agencies from the mortgage recording tax. Op.State Compt. 82-188.

4. Payments in lieu of taxes

Language of "payment in lieu of taxes agreement" created an ambiguity as to whether commencement of ten-year payment-in-lieu-of-taxes period was triggered by taxable status date, when taxpayer owned the property, or date of levy, at which time title had passed to county industrial development agency, and that ambiguity permitted submission of parol evidence to determine intent of the parties and precluded granting of a motion to dismiss petition seeking review of tax assessment for failure to state a cause of action. Onondaga County Indus. Development Agency by 39 Truck-Auto Plaza v. Town of Van Buren, 1984, 101 A.D.2d 702, 475 N.Y.S.2d 686.

Municipal recipients of in lieu tax payments under a lease agreement between an industrial development agency and a lessee are required to include the same as estimated revenues in the annual preparation of their budgets. Op.State Compt. 82-174.

5. Sale—lease back conveyances

This article in express terms divorces state from direct connection with or obligation under properties and projects engaged thereunder, and subject property, which was conveyed to certain industrial development agency, created pursuant to this article, and leased back to conveyor and which would be reconveyed by agency to conveyor at end of lease period for one dollar, could not be deemed exempt as conveyed to state. R. P. Adams Co., Inc. v. Nist, 1979, 72 A.D.2d 908, 422 N.Y.S.2d 184.

6. Sales or use taxes

Industrial development agencies are exempt from payment of sales or use taxes on personal property used in a project developed by the agency. Wegmans Food Markets, Inc. v. Department of Taxation and Finance of State, 1984, 126 Misc.2d 144, 481 N.Y.S.2d 298.

Occupant of project developed by industrial development agency and financed by industrial development bonds was exempt from payment of sales or use taxes on purchases of tangible personal property made for purpose of installing or using such property upon or within the project, even though a portion of such property was purchased with occupant's own funds, where the agency continued to own the personal property, the personal property was an integral part of projects, and Department of Taxation and Finance failed to show that the acquiring and leasing of the personal property was not essential to the agency's activities. Wegmans Food Markets, Inc. v. Department of Taxation and Finance of State, 1984, 126 Misc.2d 144, 481 N.Y.S.2d 298.

7. Special assessments and levies

The exemption provided by Real Property Tax Law § 412-a and this section applies only to general taxes and not to special assessments and special ad valorem levies. 1 Op.Counsel S.B.E.A. No. 23.

8. Statutory fees

An industrial development agency is not exempt from paying the statutory fees to either the county clerk or the Secretary of State. Op.State Compt. 81-398.

9. Taxable status date

There is nothing in this article to suggest that property transferred to an industrial development agency thereunder after tax status date should have retroactive tax exemption. R. P. Adams Co., Inc. v. Nist, 1979, 72 A.D.2d 908, 422 N.Y.S.2d 184.

Real property acquired by an industrial development agency after taxable status date is liable for taxes levied on the assessment roll reflecting such taxable status date. 5 Op.Counsel S.B.E.A. No. 55.

Exemption from taxation that developer's property received during construction while titled in county industrial development agency did not preclude business investment exemption for property after it was conveyed back to developer upon completion of construction, notwithstanding Real Property Tax Law's prohibition of multiple exemptions for same property; real property tax exemption received when property was titled in county agency was not "authorized" by Real Property Tax Law, within meaning of prohibition, but rather by General Municipal Law, and property tax exemption authorized for agency did not cover same improvements that were subject of application for business investment exemption, since assessment during time property was titled in agency was much lower and covered only construction completed at taxable status date. Pyramid Co. of Watertown v. Tibbets, 1990, 76 N.Y.2d 148, 556 N.Y.S.2d 980, 556 N.E.2d 419.

Deed from developer to county industrial development authority was "equitable mortgage"; written documents demonstrated that authority's participation was to provide financing for project and that essential purpose for executing deed was to provide security for financing; and authority's retention of title was not necessary to ensure tax-exempt status of bonds and property. AL-SAR Realty Corp. v. Griffith, 1987, 139 Misc.2d 104, 526 N.Y.S.2d 313.

4. Payments in lieu of taxes

There was nothing unlawful, arbitrary or capricious in Industrial Development [illegible] in lieu of taxes (PILOT) agreement where by entire base payment was alloc[illegible] to the city as opposed to school dis[illegible]'s receiving portion of payment; property was tax exempt not because of discretionary determination by city, but because property was owned by IDA and exempt status began when property was acquired by IDA's predecessor city, to encourage economic development within its borders, conferred benefit on developer by guaranteeing payment of bonds and ultimately incurred obligation of payment on bonds and school district, in contrast, conferred no benefit and incurred no obligation. Glens Falls City School Dist. v. City of Glens Falls Industrial Development Agency (3 Dept. 1994) 196 A.D.2d 334, 609 N.Y.S.2d 951.

6. Sales or use taxes

Wegmans Food Markets, Inc. v. Department of Taxation and Finance of State, 481 N.Y.S.2d 298 [main volume] affirmed 115 A.D.2d 962, 497 N.Y.S.2d 790, appeal denied 67 N.Y.2d 606, 501 N.Y.S.2d 1025, 492 N.E.2d 1233.

Private developer/lessee of project financed by industrial development bonds and leased by industrial development agency was not exempt from sales tax on expenses to maintain and operate property; sale-leaseback agreement was ambiguous on question whether lessee was agency's agent and required lessee to repair and maintain the project and pay utility, operation, and maintenance expenses. Fagliarone, Grimaldi & Associates v. Tax Appeals Tribunal, 1990, 167 A.D.2d 767, 563 N.Y.S.2d 824.

§ 876. Tax contract by the state

The state covenants with the purchasers and with all subsequent holders and transferees of bonds or notes issued by the agency pursuant to this title, in consideration of the acceptance of and payment for the bonds or notes, that the bonds and notes of the agency issued pursuant to this title and the income therefrom, and all moneys, funds and revenues pledged to pay or secure the payment of such bonds or notes shall at all times be free from taxation except for estate taxes and taxes on transfers by or in contemplation of death.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

§ 878. Remedies of bondholders and noteholders

(1) In the event that the agency shall default in the payment of principal or of interest on any issue of the bonds or notes after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or in the event that the agency shall fail or refuse to comply with the provisions of this title, or shall default in any agreement made with the holders of any issue of the bonds or notes, the holders of twenty-five per centum in aggregate principal amount of the bonds of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the county and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purposes herein provided.

(2) Such trustee may, and upon written request of the holders of twenty-five per centum in principal amount of such bonds or notes, then outstanding shall, in his or its own name:

(a) by suit, action or special proceeding enforce all rights of the bondholders or noteholders, including the right to require the agency to collect revenues adequate to carry out any agreement as to, or pledge of, such revenues, and to require the agency to carry out any other agreements with the holders of such bonds or notes and to perform its duties under this title;

(b) bring suit upon such bonds or notes;

(c) by action or special proceeding, require the authority to account as if it were the trustee of an express trust for the holders of such bonds or notes;

(d) by action or special proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds or notes;

(e) declare all such bonds or notes due and payable, and if all defaults shall be made good then with the consent of the holders of

twenty-five per centum of the principal amount of such bonds or notes then outstanding, to annul such declaration and its consequences.

(3) The supreme court shall have jurisdiction of any suit, action or proceeding by the trustee on behalf of bondholders or noteholders. The venue of any such suit, action or proceeding shall be laid in the county in which the project or projects are located.

(4) Before declaring the principal of all such bonds due and payable, the trustee shall first give thirty days' notice in writing to the agency.

(5) Any such trustee, whether or not the issue of bonds represented by such trustee has been declared due and payable, shall be entitled as of right to the appointment of a receiver of any part or parts of a project, the revenues of which are pledged for the security of the bonds of such issue, and such receiver may enter and take possession of such part or parts of the project and, subject to any pledge or agreement with bondholders or noteholders, shall take possession of all moneys and other property derived from or applicable to the acquisition, construction, operation, maintenance and reconstruction of such part or parts of the project and proceed with the acquisition of any necessary real property in connection with the project that the agency has covenanted to construct, and with any construction which the agency is under obligation to do and to operate, maintain and reconstruct such part or parts of the project and collect and receive all revenues thereafter arising therefrom subject to any pledge thereof or agreement with bondholders or noteholders relating thereto and perform the public duties and carry out the agreements and obligations of the agency under the direction of the court. In any suit, action or proceeding by the trustee, the fee, counsel fees and expenses of the trustee and of the receiver, if any, shall constitute taxable disbursements and all costs and disbursements allowed by the court shall be a first charge on any revenues derived from such project.

(6) Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐937.
C.J.S. Municipal Corporations § 1956 et seq.

Notes of Decisions

1. Foreclosure

In view of fact that bankruptcy court, on notice to all creditors and on written consent by all creditors to sale of certain realty, approved sale, mechanic's lienor in action by trustee for industrial development bondholders to foreclose upon other realty had no defense that trustee had not received adequate consideration for discharge of other security for payment of the bonds. Lincoln First Bank, N.A. v. Spaulding Bakeries Inc., 1983, 117 Misc.2d 892, 459 N.Y.S.2d 696.

§ 880. Actions against the agency

(1) In an action against the agency founded upon tort, the complaint shall contain an allegation that at least thirty days have elapsed since the demand, claim or claims upon which the action is founded were presented to a member of the agency and to its secretary or to its chief executive officer, and that the agency has neglected or refused to make an adjustment or payment thereof for thirty days after the presentment.

(2) In a case founded upon tort, a notice of claim shall be required as a condition precedent to the commencement of an action or special proceeding against the agency or an officer, appointee or employee thereof, and the provisions of section fifty-e of the general municipal law shall govern the giving of such notice. No action shall be commenced more than one year after the cause of action therefor shall have accrued.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐741(1). C.J.S. Municipal Corporations §§ 922

Notes of Decisions

1. Wrongful death actions

Special term lacked authority to authorize late filing by plaintiffs of their notice of claim for wrongful death with city industrial developmental agency, since this section which refers to "tort" actions generally encompasses actions for wrongful death, and this cause of action for wrongful death was governed by one-year limitations period contained in such statute. Colon v. City of New York, 1982, 116 Misc.2d 729, 456 N.Y.S.2d 320.

§ 882. Termination of the agency

Whenever all of the bonds or notes issued by the agency shall have been redeemed or cancelled, the agency shall cease to exist and all rights, titles, and interest and all obligations and liabilities thereof vested in or possessed by the agency shall thereupon vest in and be possessed by the municipality.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Municipal Corporations ⇐51.
C.J.S. Municipal Corporations §§ 103 to 105.

§ 883. Conflicts of interest

All members, officers, and employees of an agency or authority shall be subject to the provisions of article eighteen of this chapter.

(Added L.1993, c. 356, § 18.)

Historical and Statutory Notes

Effective Date; Applicability. Section effective Oct. 19, 1993, but not to apply to any assistance prior to the date on which this act shall have become a law whether or not such projects are thereafter modified, pursuant to L.1993, c. 356, § 98, set out as a note under General Municipal Law § 854.

§ 884. Public bidding

The provisions of any law relating to the requirement of public bidding with respect to the construction of public facilities or projects shall not be applicable to the acquisition, construction, reconstruction, improvement, maintenance, equipping and furnishing of projects authorized by this act.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Cross References

Applicability of this section to projects of Auburn industrial development authority, see Public Authorities Law § 2312.
Bidding for public contracts, see section 103.

Library References

Municipal Corporations ⇐236.
C.J.S. Municipal Corporations § 996.

Notes of Decisions

1. Option agreements

Option agreement and sale of real property entered into by county industrial development agency did not require public competitive bidding. Grossman v. Herkimer County Indus. Development Agency, 1977, 60 A.D.2d 172, 400 N.Y.S.2d 623.

§ 886. Title not affected if in part unconstitutional or ineffective

If any section, clause or provision of this title shall be unconstitutional or be ineffective in whole or in part, to the extent that it is not unconstitutional or ineffective, it shall be valid and effective and no other section, clause or provision shall on account thereof be deemed invalid or ineffective.

(Added L.1969, c. 1030, § 1.)

Historical Note

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Statutes ⇐64(4).
C.J.S. Statutes § 98.

§ 888. Inconsistent provisions in other acts superseded

Insofar as the provisions of this title are inconsistent with the provisions of any other act, general or special, or of any local laws of the municipality, the provisions of this title shall be controlling except in cases of inconsistency with the Indian law.

(Added L.1969, c. 1030, § 1; amended L.1972, c. 190, § 2.)

Historical Note

1972 Amendment. L.1972, c. 190, § 2, eff. May 2, 1972, inserted "except in cases of inconsistency with the Indian law".

Effective Date. Section effective May 26, 1969, pursuant to L.1969, c. 1030, § 3.

Library References

Statutes ⇐223.1.
C.J.S. Statutes § 365.

§ 917.[1] New York City Industrial Development Agency

(a) Legislative intent. It is the policy and intent of the City of New York to promote the economic welfare of its inhabitants and to actively promote, attract, encourage and develop economically sound commerce and industry through governmental action for the purpose of preventing unemployment and economic deterioration by the creation of a New York City Industrial Development Agency. It is recognized that the viability and integrity of the residential communities in New York City should be protected and maintained so that no person be deprived of his place of residence by any condemnation for economic or industrial development undertaken pursuant to this article.

(b) For the purpose of this section "city" means the city of New York.

(c) [Amendment by L.1986, c. 905 effective until July 1, 1996.] For the benefit of the city and the inhabitants thereof an industrial development agency, to be known as the New York City Industrial Development Agency, is hereby established for the accomplishment of any or all of the purposes specified in title one of article eighteen-A of this chapter, except that it shall not have the power to construct or rehabilitate any residential facility or housing of any nature and kind whatsoever, nor shall it use any of its funds to further the construction or rehabilitation of any residential facility or housing of any nature and kind whatsoever. It shall constitute a body corporate and politic, and be perpetual in duration. It shall only have the powers and duties conferred by title one of article eighteen-A of this chapter upon industrial development agencies as of January 1, 1973 except that it shall have the power to finance a civic facility as such project is defined in subdivision thirteen of section eight hundred fifty-four of this chapter and it shall not have the power of condemnation. In the exercise of the powers conferred upon such agency with respect to the acquisition of real property by article eighteen-A of this chapter such agency shall be limited to the geographical jurisdictional limits of the city.

(d) It shall be organized in a manner prescribed by and be subject to the provisions of title one of article eighteen-A of this chapter, except that its board shall consist of fifteen members. Among its membership shall be the city comptroller, the city administrator of the economic development administration, the corporation counsel of such city and the chairman of the city planning commission of such city, each of whom shall have the power to designate an alternate to represent them at board meetings with all the rights and powers, including the right to vote, reserved to all board members, provided that such designation be in writing to the chairman of the board. Six of the remaining eleven members shall be appointed by the mayor of such city upon consultation with the economic development council, business and labor organizations and elected officials and five shall be appointed by the mayor upon designation by the borough improvement boards of such city, one member from each borough.

(e) The Mayor shall designate the chairman of the board, who shall serve at the pleasure of the Mayor.

(f) The terms of the directors first appointed by the Mayor, other than the chairman of the board shall be as follows:

four shall serve for terms of one year each, two of whom shall have been designated by the borough improvement boards;

three shall serve for terms of two years each, two of whom shall have been designated by the borough improvements[2] boards;

three shall serve for terms of three years each, one of whom shall have been designated by the borough improvement boards; thereafter the successors of all ten such directors shall serve for terms of three years each. The Mayor shall fill any vacancy which may occur by reason of death, resignation, or otherwise in a manner consistent with the original appointment. Members may be removed by the Mayor for cause after a hearing upon ten days' written notice. Such members shall receive no compensation for their services but shall be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of their duties.

(g) The chief executive officer of the agency shall be appointed by a two-thirds vote of the board of directors.

State of New York
DEPARTMENT OF STATE

It is Hereby Certified, That the attached copy of the certificate of establishment for the New York City Industrial Development Agency and the certificates of appointment of the members, filed November 27, 1974 and the certificates of appointment of the members, filed December 13, 1976, July 11, 1977, February 14, 1977, July 11, 1977, October 7, 1977, December 27, 1977, October 3, 1978, December 4, 1978, May 14, 1982, and March 3, 1987, are true copies of the originals thereof on file in this office.

In Testimony Whereof, I have hereunto set my hand and the official seal of the Department of State at the City of Albany, this 15th day of October one thousand nine hundred and eighty-seven

Secretary of State

CERTIFICATE OF ESTABLISHMENT

OF

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

For Filing with Secretary of State

THIS is to certify that the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency") has been established by special act of the New York State Legislature. The following facts and information are set forth pursuant to Section 856 of the New York State Industrial Development Agency Act:

1. The special act establishing the Agency was passed by the New York State Legislature on June 15, 1974, and became Chapter 1082 of the Laws of 1974, effective immediately.

2. The name of the Agency is: NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY.

3. The names of the members of the Agency, their Chairman, and their terms of office are as follows:

NAME	TITLE	TERM OF OFFICE
William S. Brennan	Chairman	At pleasure of the Mayor of the City of New York
Richard Lewisohn	Member	Three-year term
Harrison J. Goldin Comptroller of the City of New York	Member	Terminates at the expiration of the term of his municipal office

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED NOV 27 1974

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	TITLE	TERM OF OFFICE
...red Eisenpreis ...ministrator of ...onomic Development ...ministration	Member	Terminates at the expiration of the term of his municipal office.
...lan P. Burke ...rporation Counsel	Member	Terminates at the expiration of the term of his municipal office.
John Zuccotti Chairman - City Planning Commission	Member	Terminates at the expiration of the term of his municipal office.
Edgardo N. Vazquez Basso	Member	1-year term
Joseph J. Holzka	Member	2-year term
Bruce Llewellyn	Member	3-year term
Joseph J. Solar	Member	1-year term
Dr. Eugene Callender	Member	2-year term
Samuel Plotkin	Member	3-year term
Bernard Richards	Member	1-year term
Thomas Schleier	Member	1-year term
Jerome B. Sheir	Member	2-year term

STATE OF ...
FILED NOV 27 1974
...Secretary of State

4. The facts establishing the need for the Agency in the municipality are as follows: The City of New York desires (i) to promote the economic welfare and the health of its

...itants, (ii) to actively promote, attract, encourage and ...velop an economically sound commerce and industry for the ...pose of preventing unemployment and economic deterioration ...(iii) to abate and control pollution of land, air and water. ...purpose of the Agency is to promote, develop and encourage ...d assist in the acquiring, construction, reconstructing, im-...roving, maintaining and equipping and furnishing of industrial, ...nufacturing, warehousing, commercial, research and pollution ...ontrol facilities and thereby to advance the job opportunities, ...neral prosperity, economic welfare and health of the inhabitants ...the City of New York.

THE MAYOR OF THE CITY OF NEW YORK

By: _____
Clerk of the City of New York
First Deputy City Clerk

NOV 27 1974

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CERTIFICATE OF APPOINTMENT
as a member of the
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
for filing with the
SECRETARY OF STATE OF
THE STATE OF NEW YORK

This is to certify that DAVID GREENBAUM has been appointed as a MEMBER of the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the Laws of 1974, as amended.

RUDOLPH W. GIULIANI
MAYOR

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED:

o:greenbau.app

FIX(2)

THE CITY OF NEW YORK
OFFICE OF THE MAYOR.
NEW YORK, N.Y. 10007

March 22, 1995

Mr. Kevin Nunn
President
Bronx Overall Economic
Development Corporation
880 River Avenue, Suite 3
Bronx, New York 10452

Dear Mr. Nunn:

Upon nomination by the Borough President of the Bronx, I hereby appoint you as a member of the New York City Industrial Development Agency.

Your term is for a three year period which will commence on March 16, 1995 and expire on March 15, 1998.

Sincerely,

Rudolph W. Giuliani

Rudolph W. Giuliani
Mayor

cc: C. Lifflander
Chair - IDA

THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

January 16, 1992

Ms. Marilyn K. Weitzman
Principal
The Weitzman Group, Incorporated
767 Third Avenue
New York, New York 10017

Dear Ms. Weitzman:

I am pleased to appoint you a Director of the New York City Industrial Development Agency, for a three-year term, effective immediately.

The New York City Industrial Development Agency plays a key role in the financing of economic development projects in the City of New York. Economic Development is a priority of my administration and I am pleased that someone of your background and skills will have an important role in our continuing efforts to invigorate the City's economy.

Sincerely,

David N. Dinkins
MAYOR

THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

June 11, 1992

Mr. Julius Rendinaro
373 Tysens Lane
Staten Island, New York 10306

Dear Mr. Rendinaro:

I am please to appoint you, upon nomination by the Borough President of Staten Island, a Director of the New York City Industrial Development Agency, for a three-year term, effective immediately.

The New York City Industrial Development Agency plays a key role in the financing of economic development projects in the City of New York. Economic Development is a priority of my administration and I am pleased that someone of your background and skills will have an important role in our continuing efforts to invigorate the City's economy.

Sincerely,

David N. Dinkins
MAYOR

cc: The Honorable Guy Molinari

16

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

This is to certify that SAMUEL PLOTKIN has been appointed MEMBER OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the laws of 1974, as amended.

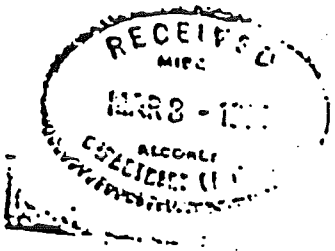
EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:



CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

This is to certify that PHILIP K. HOWARD has been appointed MEMBER OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the laws of 1974, as amended.

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MISC.
MAR 8 - 1987

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

This is to certify that EDWARD M. SWAN, JR. has been appointed MEMBER OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the laws of 1974, as amended.

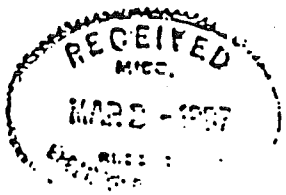
EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:



CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

This is to certify that IRVIN K. CULPEPPER, JR. has been appointed MEMBER OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the laws of 1974, as amended.

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

16

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

RECEIVED
MAR 3 - 1978

CERTIFICATE OF APPOINTMENT

as a member of

INDUSTRIAL DEVELOPMENT AGENCY

for filing with

SECRETARY OF STATE

This is to certify that BERNARD HABER has been appointed MEMBER OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the laws of 1974, as amended.

EDWARD I. KOCH
Mayor

CARLOS CUEVAS
City Clerk, Clerk of the Council

STATE OF NEW YORK
DEPARTMENT OF STATE

FILED:

CERTIFICATE OF APPOINTMENT
as a member and the chairman of the
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
for filing with the
SECRETARY OF STATE OF
THE STATE OF NEW YORK

This is to certify that CHARLES MILLARD has been appointed as a MEMBER and as the CHAIRMAN of the NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, which has been duly established by Chapter 1082 of the Laws of 1974, as amended.

Rudolph W. Giuliani

RUDOLPH W. Giuliani
MAYOR

STATE OF NEW YORK
DEPARTMENT OF STATE
FILED: 12/29/95

o:\richm\app

THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

RECEIVED
1996
OFFICE OF THE PRESIDENT

FRAN REITER
DEPUTY MAYOR
ECONOMIC DEVELOPMENT AND PLANNING

November 4, 1996

Charles Millard, Chairman
New York City Industrial Development Agency
110 William Street
New York, New York 10038

Dear Mr. Millard:

This letter serves to confirm my appointment of Kimberly Quinones as my alternate at the meetings of the Board of Directors of the New York City Industrial Development Agency with full power to vote on my behalf, effective as of July 9, 1996.

Sincerely,

Fran Reiter
Deputy Mayor for Economic
Development and Planning

CITY PLANNING COMMISSION
CITY OF NEW YORK

OFFICE OF THE CHAIRMAN

December 9, 1996

Charles Millard
Chairman
New York City Industrial Development Agency
10 William Street
New York, New York 10038

Dear Mr. Millard:

This letter serves to confirm my designation, pursuant to Section 917(d) of the General Municipal Law, of Eric Kober as my alternate to represent me at the meetings of the Board of Directors of the New York City Industrial Development Agency with all rights and powers, including the right to vote on my behalf, effective as of February 7, 1994.

Sincerely,

Joseph B. Rose

Joseph B. Rose, Chairman (212) 720-3200
22 Reade Street, New York, N.Y. 10007-1216
FAX (212) 720-3219

ida New York City Industrial Development Agency

MEMORANDUM

To: H. Sidney Holmes, Esq.

From: Judith A. Capolongo

Subject: IDA Board of Directors Member Designations

Date: December 16, 1996

At the direction of Richard Marshall, enclosed please find copies of the following letters designating alternates to represent Members at IDA Board of Directors meetings:

1) Fran Reiter, DeputyMayor, appointing Kimberly Quinones as alternate; and

2) Joseph B. Rose, Chairman of the City Planning Commission, appointing Eric Kober as alternate.

Enclosures

cc: Richard E. Marshall, Esq.

f:\mcmoida.al2

• 110 William Street, New York, NY 10038 • 212. 619. 5000

COMPTROLLER OF THE CITY OF NEW YORK
1 CENTRE STREET
NEW YORK, NY 10007-2341
(212) 669-3500

RECEIVED
FEB 05 1997
OFFICE OF THE PRESIDENT

ALAN G. HEVESI
COMPTROLLER

January 29, 1997

Charles Millard, Chairman
New York City Industrial Development Agency
110 William Street
New York, NY 10038

Dear Mr. Millard:

This letter serves to confirm my designation, pursuant to Section 917(d) of the General Municipal Law and pursuant to authority vested in me by the New York City Charter, of Richard F. Halverson, or in the event of his absence, Jonathan D. White, as my alternate to represent me at the meetings of the Board of Directors of the New York City Industrial Development Agency with all rights and powers, including the right to vote on my behalf, effective as of January 29, 1997.

I hereby revoke the designations made on November 18, 1996 to Jonathan D. White and Michael W. Stern; provided, however, that nothing contained herein shall be construed to affect the validity of any act performed pursuant to such designations prior to the date hereof.

These delegations shall run from the date hereof and be effective until they are revoked by me.

ALAN G. HEVESI

RICHARD F. HALVERSON
Specimen Signature

JONATHAN D. WHITE
Specimen Signature

dcleg.080

Made From 100% Recycled Paper

New York City
Economic Development
Corporation

110 WILLIAM STREET, 6TH FLOOR, NEW YORK, NY 10038

FACSIMILE COVER SHEET

DATE: July 30, 1997

FROM: Judith Capolongo
(TEL: 212-312-3825) (FAX: 212-312-3912)

TO:

NAME	TEL. NO.	FAX NO.
Arthur Cohen, Esq.	820-9300	820-9391
H. Sidney Holmes, Esq.	351-3456	351-3131

COMMENTS:

Please be advised that the date Edward M. Swan, Jr. resigned as a member of the Board of Directors of the New York City Industrial Development Agency has been determined to be March 11, 1997.

Thank you.

This facsimile contains CONFIDENTIAL INFORMATION, which may also be LEGALLY PRIVILEGED, that is intended only for use of the addressee(s) named above. If you are not the intended recipient of this facsimile, or the employee responsible for delivering it to the intended recipient, you are hereby notified that any dissemination or copying of this facsimile is prohibited. If you have received this facsimile in error, please notify us by telephone and return the facsimile to us at the above address via the U.S. Postal Service. Thank you.

NUMBER OF PAGES INCLUDING COVER: 1

** TOTAL PAGE.01 **

The City of New York

LAW DEPARTMENT
100 CHURCH STREET
NEW YORK, N.Y. 10007

PAUL A. CROTTY
Corporation Counsel

September 10, 1997

Charles Millard
Chairman, New York City Industrial Development Agency
c/o New York City Economic Development Corporation
110 William Street
New York, New York 10038

Re: Appointment of Delegate Pursuant to Section 917(d) of the New York General Municipal Law

Dear Mr. Millard:

I hereby appoint Bruce Regal to serve as my delegate to the New York City Industrial Development Agency Board of Directors for the meeting noticed for October 16, 1997. Leonard M. Wasserman shall continue to serve as my delegate for all further meetings of the IDA Board of Directors, unless you receive notice to the contrary.

Very truly yours,

Paul A. Crotty
Corporation Counsel

THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

January 14, 1998

Mr. Jose Ithier
President
Bronx Overall Economic Development
Corporation
198 East 161st Street
Bronx, New York

Dear Mr. Ithier:

Upon nomination by the Borough President of the Bronx, I hereby appoint you as a member of the New York City Industrial Development Agency.

Your appointment is for the remainder of a three year term which will expire on March 15, 1998.

Sincerely,

Rudolph W. Giuliani
Mayor

cc: ✓ C. Millard
Chair - I.D.A.

F. Ferrer
Bronx Borough President

** TOTAL PAGE.002 **

New York City
Economic Development
Corporation

110 WILLIAM STREET, 6TH FLOOR, NEW YORK, NY 10038

FACSIMILE COVER SHEET

DATE: February 11, 1998

FROM: Judith Capolongo
(TEL: 212-312-3825) (FAX: 212-312-3912)

TO: NAME	TEL. NO.	FAX NO.
Arthur Cohen, Esq.	820-9300	820-9391
H. Sidney Holmes, Esq.	351-3456	351-3131

COMMENTS:

Following please find a copy of the letter from Jose Ithier appointing Yvette Clark to serve as Mr. Ithier's delegate to the IDA Board of Directors for the meeting on February 11, 1998

Thank you.

This facsimile contains CONFIDENTIAL INFORMATION, which may also be LEGALLY PRIVILEGED, that is intended only for use of the addressee(s) named above. If you are not the intended recipient of this facsimile, or the employee responsible for delivering it to the intended recipient, you are hereby notified that any dissemination or copying of this facsimile is prohibited. If you have received this facsimile in error, please notify us by telephone and return the facsimile to us at the above address via the U.S. Postal Service. Thank you.

NUMBER OF PAGES INCLUDING COVER: 2

198 East 161st Street - Suite 201
The Bronx, New York 10451

THE BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION
BOEDC

Phone (718) 590-3948
Fax (718) 590-5814

February 9, 1998

VIA FAX AND BY HAND
Mr. George Glatter
Deputy Assistant Commissioner
New York City Department of Business Services
110 William Street
New York, New York 10038

Dear Mr. Glatter:

I hereby designate Yvette Clarke, Business Development Manager of the Bronx Overall Economic Development Corporation (the "Designee"), as my representative, for the meeting of the New York City Industrial Development Agency (the "IDA") scheduled for Wednesday, February 11, 1998 at the IDA's offices at 110 William Street, New York, New York 10038.

This letter grants the Designee all rights and privileges, including the right to vote (should the need arise), that I have has as a member of the IDA.

Sincerely,

Jose L. Ithier
President

** TOTAL PAGE.002

IDA BOARD OF DIRECTORS

MEMBERS AND ALTERNATES (15) *

As of January 27, 1998

Mayoral Appointments (6):

1) Charles Millard, Chairman
2) Irvin K. Culpepper, Jr.
3) David Greenbaum
4) Alan L. Rivera, Esq.
5) Marilyn Weitzman
6) Gary L.Herman

Borough President Appointments (5):

1) (Vacant) - Manhattan
2) Samuel Plotkin, Vice Chairman - Brooklyn
3) Jose Ithier - Bronx
4) Bernard Haber - Queens
5) Julius Rendinaro -Staten Island

Ex Officio Members (4):

1) Jeffrey D. Friedlander, Esq., Acting Corporation Counsel of the City of New York (ex officio);
   Leonard Wasserman, Esq., alternate

2) Randy L. Levine, Deputy Mayor for Economic Development and Planning (ex officio);
   Leonard Cherson, alternate

3) Alan G. Hevesi, Comptroller of the City of New York (ex officio);
   Richard F. Halverson (or in Mr. Halverson's absence, Jonathan D. White), alternate

4) Joseph B. Rose, Chairman, City Planning Commission (ex officio);
   Eric Kober, alternate

* A quorum for a Board of Directors meeting is eight (8) members in attendance.

o:\idaboard\members

GENERAL CERTIFICATE

We, the undersigned Deputy Executive Director and Assistant Secretary of the New York City Industrial Development Agency (the "Agency"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State of New York, **DO HEREBY CERTIFY** as follows (all capitalized terms used but not defined herein having the respective meanings set forth in the Lease Agreement referred to herein):

1. The following persons are on the date hereof members of the Agency, holding the offices, if any, set forth opposite their names:

Andrew M. Alper, Chairman
Derek B. Park, Vice Chairman
Amanda M. Burden, Chairperson, City Planning Commission of The City of New York (ex officio), Eric Kober, alternate
William C. Thompson, Comptroller of The City of New York (ex officio), Rita J. Sallis, alternate
Daniel L. Doctoroff, Deputy Mayor for Economic Development and Rebuilding of The City of New York (ex officio), Roy Bahat, alternate
Michael A. Cardozo, Esq., Corporation Counsel of The City of New York (ex officio), Leonard Wasserman, Esq., alternate
Irvin K. Culpepper, Jr.
Joseph Isaac Douek
Bernard Haber
Gary L. Herman
Julius Rendinaro
Alan L. Rivera, Esq.
E. Rico Velez (pending appointment)
Marilyn Weitzman

Barbara Basser-Bigio is the Executive Director of the Agency.
Carolyn A. Edwards is the Deputy Executive Director of the Agency.
The position of General Counsel of the Agency is vacant.
Richard E. Marshall, Esq. is the Vice President for Legal Affairs of the Agency.
Deo Singh is the Treasurer of the Agency.
Jodie Chatlani is the Assistant Treasurer of the Agency.

2. Attached hereto as Exhibit A is a true and correct copy of the By-Laws of the Agency in effect on December 9, 1999, January 11, 2000, October 23, 2001 and November 13, 2001, and in effect on the date hereof and that said copy has been compared by us with the original thereof on file in the Minute Books of the Agency and that said copy is a correct copy thereof and of the whole of said By-laws and that the same has not been altered, amended or repealed, and is in full force and effect.

3. Notice of the meetings of the Agency held on December 9, 1999, January 11, 2000, October 23, 2001 and November 13, 2001 was given pursuant to the By-Laws and duly sent to each member of the Agency, all in accordance with the applicable provisions of the Agency's By-Laws.

4. Attached to the Record of Proceedings is a true, correct and complete copy of each of the Company Sublease Agreement, dated as of July 1, 2002, by and between American Airlines, Inc. (the "Lessee") and the Agency (the "Company Lease"), the IDA Lease Agreement, dated as of July 1, 2002, by and between the Lessee and Agency (the "Lease Agreement"), the Master Indenture of Trust, dated as of July 1, 2002 (the "Master Indenture"), as supplemented by the First Series Supplemental Indenture of Trust, dated as of July 1, 2002 (the "First Series Supplemental Indenture") authorizing the $120,000,000 aggregate principal amount New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002A Bonds") and the Second Series Supplemental Indenture of Trust, dated as of July 1, 2002 (the "Second Series Supplemental Indenture") authorizing the $380,000,000 aggregate principal amount New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Series 2002B Bonds"), (the Master Indenture, the First Series Supplemental Indenture and the Second Series Supplemental Indenture, collectively, the "Indenture") each by and between the Agency and The Bank of New York, as Trustee (the "Trustee"), the Official Statement, dated July 25, 2002 (the "Official Statement") relating to the Agency's $500,000,000 aggregate principal amount of Special Facility Revenue Bonds, Series 2002 (American Airlines, Inc. John F. Kennedy International Airport Project), the Bond Purchase Agreement, dated July 25, 2002 (the "Bond Purchase Agreement"), by and among the Agency, the Lessee, AMR Corporation and Salomon Smith Barney Inc., as the representative of itself and the other underwriters (the "Underwriter"), the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the date hereof (the "Tax Certificate"), executed by the Agency and the Lessee, the Leasehold Mortgage and Security Agreement, to be executed and dated at a future date upon the satisfaction of certain conditions (the "Leasehold Mortgage") by the Lessee and the Agency, for the benefit of the Trustee, the Consent to Subleases and Leasehold Mortgage Agreement, dated as of July 31, 2002, by and among The Port Authority of New York and New Jersey, the Lessee, AMR Corporation, the Agency and the Trustee (the "Consent to Subleases") and the Equipment Security Agreement, dated as of July 1, 2002, by and among the Lessee, the Agency, and the Trustee (collectively, the "Agency Documents").

5. Attached hereto as Exhibit B are true, correct and complete copies of the resolutions duly adopted by the Agency on December 9, 1999, January 11, 2000 and October 23, 2001 (as amended on November 13, 2001) (together, hereinafter referred to as the "Resolution") pursuant to which the members of the Agency (1) authorized the Project; (2) authorized the issuance, sale and delivery of the Series 2002 Bonds (as defined in Paragraph 7 below); (3) authorized and approved the execution and delivery of the Agency Documents; and (4) approved other matters in connection therewith.

6. The Resolution was duly adopted at meetings of the members of the Agency duly called and held, and at each such meeting a quorum was present and acted

throughout and that said Resolution is in full force and effect and has not been modified or amended and the forms of the Agency Documents as submitted at such meetings are substantially in the form as executed and delivered on the date hereof.

7. Attached hereto as Exhibit C is a specimen of each of the Series 2002A Bonds and the Series 2002B Bonds (collectively, the "Series 2002 Bonds") which, except as to principal amount, interest rate and execution, is identical in all respects with the Series 2002 Bonds this day being delivered to the Underwriter and being substantially in the forms prescribed by said Indenture.

8. On November 12, 2001, the Agency held a public hearing with respect to the issuance of the Series 2002 Bonds and the Project in compliance with Section 147(f) of the Internal Revenue Code of 1986, as amended; that notices of such meeting were published on October 13, 2001, in The NEW YORK POST and on November 2, 2001, in the CITY RECORD; and that attached hereto as Exhibit D is a true and correct copy of the minutes of such hearing together with copies of such published notices.

9. The Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York duly organized and existing under the laws of the State of New York, particularly the Act. The Agency is authorized to assist the Project in accordance with the Act, to apply the proceeds thereof for the acquisition, construction, leasing, developing, equipping and installing of the Project and thereby advancing the job opportunities, general prosperity and economic welfare of the people of the State of New York and improving their standard of living.

10. The Agency has complied with the provisions of the Act and has full power and authority pursuant to law and the Act to act with respect to all transactions contemplated by the Series 2002 Bonds, the Resolution and the Agency Documents, to issue, sell and deliver the Series 2002 Bonds to the Underwriter and to carry out and consummate all other transactions contemplated by each of the aforesaid documents.

11. Pursuant to the Resolution, the Agency has duly authorized the execution, delivery and due performance of the Series 2002 Bonds and the Agency Documents and the taking of any and all such action as may be required on the part of the Agency to carry out, give effect to and consummate the transactions contemplated by the Agency Documents; and all approvals necessary in connection with the foregoing have been received.

12. The execution and delivery of the Series 2002 Bonds and the Agency Documents, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Agency a violation of the Constitution of the State of New York or a violation of, breach of or default under its By-Laws or any statute, indenture, mortgage, deed of trust, note agreement or other agreement or instrument to which the Agency is a party or by which the Agency is bound, or, to the knowledge of the Agency, any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Agency or any of its activities or properties; and all consents, approvals, authorizations and orders of governmental or regulatory authorities that are required for the consummation of the transactions contemplated thereby have been obtained.

13. There is no action, suit, proceeding or investigation at law or in equity, of which the Agency has notice, by or before any court or public agency, or, to the best of the knowledge of the Agency, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Agency Documents, or which in any way would adversely affect (i) the validity of the Resolution or any of the Agency Documents, or any agreement or instrument to which the Agency is a party and which is used or contemplated for use in consummation of the transactions contemplated by the Agency Documents or (ii) the organization, creation, corporate existence or powers of the Agency or (iii) the title of any of the present officers to the respective offices or (iv) the right or power of the Agency to finance the costs of the Project, or to lease or to sublease the Facility, as contemplated by the Agency Documents; and that none of the proceedings or authority for the issuance, sale, execution or delivery of the Series 2002 Bonds has been repealed, revoked or rescinded.

14. No controversy or litigation of any nature is now pending or, to the best of our knowledge, threatened (either in state or Federal courts) against or affecting the Agency restraining or enjoining the issuance, sale, execution or delivery of the Series 2002 Bonds or the payment, collection or application of the proceeds derived from the sale of the Series 2002 Bonds or rentals and other moneys and securities pledged or to be pledged as security therefor, or questioning or affecting directly or indirectly the validity of or the authority for the issuance of the Series 2002 Bonds or of any provisions made or authorized for their payment or the making and entering into of any of the Agency Documents or any proceedings taken by the Agency with respect to the foregoing.

15. The Agency makes no representation or warranty concerning the financial position or business condition of the Lessee, nor does it represent or warrant as to the correctness of any statements or representations made or materials furnished by the Lessee to the Agency, the Underwriter or any other party in connection with the purchase of the Series 2002 Bonds.

16. The Series 2002 Bonds have been duly executed in the name and on behalf of the Agency by the signature of the Deputy Executive Director, and by the affixing thereon of the seal of the Agency attested by the signature of the Assistant Secretary of the Agency, such officers being duly chosen, qualified and acting officers authorized to execute the Series 2002 Bonds.

17. The seal which has been impressed upon the Series 2002 Bonds is the legally adopted, proper and only official corporate seal of the Agency.

18. Each of the representations, warranties and covenants of the Agency set forth in Section 1.3 of the Lease Agreement and Section 4 of the Bond Purchase Agreement is true, accurate and complete as of the date hereof as if such representations and warranties had been made on and as of the date hereof, and all agreements of the Agency provided and contemplated to be performed pursuant to the terms of the Bond Purchase Agreement, including, without limitation, the documents set forth in Section 9(d)(4) of the Bond Purchase Agreement, on or prior to the date hereof, have been so performed.

19. The Series 2002 Bonds constitute the valid and legally binding special obligations of the Agency, are enforceable in accordance with their terms, except to the extent

enforcement may be limited by bankruptcy, moratorium, reorganization and other similar laws affecting creditors' rights generally and by application of equitable principles, and are entitled to the security of and are secured by the Indenture.

20. The Agency Documents and any and all other agreements and documents required to be executed and delivered by the Agency in order to carry out, give effect to and consummate the transactions contemplated thereby have each been duly authorized, executed and delivered by the Agency, and as of the date hereof each is in full force and effect, and each constitutes the valid, binding and enforceable obligation of the Agency, and the Agency is entitled to the benefits of the same, and all right, title and interest inuring to the Agency under the Lease Agreement (except as provided in the Indenture) including the rental payments thereunder, have been duly pledged and assigned to the Trustee under the Indenture for the equal benefit of all of the holders of the Series 2002 Bonds.

21. To the best knowledge of the Agency, no legislation, ordinance, rule or regulation has been enacted or introduced or favorably reported for passage by any governmental body, department or agency of the State of New York or of The City of New York, and no decision by any court of competent jurisdiction of such State or City has been rendered which would adversely affect, and there is no action, suit, proceeding or investigation at law or in equity by or before any court or public agency, or, to the best of the knowledge of the Agency, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect, the exemption from all taxation (except for transfer and estate taxes) in the State of New York of the Agency or of any similar body and all properties owned by it or by such similar body.

22. Pursuant to the Resolution, the undersigned herby determines that the Series 2002A Bonds and the Series 2002B Bonds, shall mature in the amounts and in the years, and shall bear interest at the rates specified in Schedule A attached hereto and the purchase price for the Series 2002 Bonds by the Underwriter from the Agency, shall be $475,974,866.67, which is the aggregate principal amount of the Series 2002 Bonds, less original issue discount of $24,891,800 and Underwriter's discount of $2,625,000, plus accrued interest of $3,491,666.67.

23. With respect to the Agency Documents, we further certify that we have made an inquiry of each member, officer and employee of the Agency having the power or duty to (a) negotiate, prepare, authorize or approve any of the Agency Documents or authorize or approve payment thereunder, (b) audit bills or claims under any of the Agency Documents, or (c) appoint an officer or employee who has any of the powers or duties as set forth above, as to whether or not such member, officer of employee has an interest (as defined pursuant to Article 18 of the General Municipal Law) in any of the Agency Documents, and upon information and belief, as a result of such inquiry, no such member, officer or employee has any such interest in any of the Agency Documents, unless otherwise noted in Schedule B attached hereto and by this reference made a part hereof.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

WE FURTHER CERTIFY AND CONFIRM that on the date or dates of the execution of the Agency Documents, and on the date hereof, we are the duly appointed and qualified incumbents of the offices of the Agency set forth below our respective names and the signatures appearing above our respective names are our signatures.

IN WITNESS WHEREOF, the undersigned have hereunto set their official signatures of the Agency this 31st day of July, 2002.

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

By: _____
Assistant Secretary

I HEREBY CERTIFY that the signatures of the officers of the New York City Industrial Development Agency which appear above are true and genuine and that I know said officers and know them to hold the offices set below their names.

By: _____
Richard E. Marshall, Esq.
Vice President for Legal Affairs
New York City Industrial
Development Agency
Date: July 31, 2002

REVISED 7/09/96

BY-LAWS OF NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

Pursuant to the authority contained in Section 858, Title I of Article 18-A of the General Municipal Law, as set out in Chapter 1030 of the Laws of 1969, and Section 917 of the General Municipal Law as set out in Chapter 1082 of the Laws of 1974 of the State of New York, the New York City Industrial Development Agency hereby approves the following by-laws for the regulation of its activities:

ARTICLE I
The Agency

Section 1.1. Description. The New York City Industrial Development Agency (the "Agency") is a corporate governmental agency of the State of New York, constituting a body corporate and politic and a public benefit corporation, created by and having the powers and functions set forth in the General Municipal Law, Article 18-A, and Section 917 thereunder (collectively referred to as the "Act").

Section 1.2. Membership. The membership of the Agency shall consist of fifteen members, who shall constitute the Board of Directors (the "Board") and shall be selected and shall hold office as provided in the Act.

Section 1.3. Offices. The principal office of the Agency shall be located in the City, County and State of New York. The Agency may also have other offices at such places within the State of New York as it may from time to time designate by resolution.

Section 1.4. Seal. (1) The official seal of the Agency shall be in the form of a circle and shall bear the name of the Agency and the year of its creation. Such seal may also include such other insignia as may be approved by the Board.

(2) In the execution on behalf of the Agency of any instrument, document, writing, notice or paper it shall not be necessary to affix the official seal of the Agency thereon, and any such instrument, document, writing, notice or paper when executed without said seal affixed thereon shall be of the same force and effect and as binding on the Agency as if said official seal had been affixed thereon in each instance.

(3) The official seal need not be impressed on any instrument, document, writing, notice or paper, but the same shall be sufficiently sealed if the official seal or a facsimile thereof is engraved, imprinted or otherwise reproduced thereon.

(4) The Secretary or the Executive Director, or in the absence of the Secretary or the Executive Director, the Chairman may certify as to the official seal or its facsimile as of any date or with respect to any instrument, document, writing, notice or paper and any such certification shall be conclusive as to the form of said official seal and that any such instrument, document, writing, notice or paper has been duly and properly sealed by the Agency.

Section 1.5. Fiscal Year. The fiscal year of the Agency shall begin on the first day of July in each calendar year and shall end at the close of business on the 30th day of June in the following calendar year.

ARTICLE II
Officers

Section 2.1. Appointment. The officers of the Agency shall be a Chairman and a Vice-Chairman, who shall be members, and an Executive Director, Treasurer, Secretary, Assistant Treasurers and such other officers as it may be determined by the Board, who shall have such duties, powers and functions as hereinafter provided, all of whom shall be elected by the Board, except the Chairman, who shall be designated by the Mayor of The City of New York.

Section 2.2. Terms of Office. All officers of the Agency other than the Chairman, shall hold office at the pleasure

of the Board. The Chairman shall serve as such at the pleasure of the Mayor of The City of New York as provided in the Act.

Section 2.3. Chairman. The Chairman shall preside at all meetings of the Agency, but, for any particular meeting of the Agency, the Chairman may delegate the responsibility to so preside to any member or officer of the Agency. He shall sign by manual or facsimile signature and execute on behalf of the Agency all agreements, deeds, contracts, notes, bonds, trust indentures or other evidences of indebtedness when so authorized by resolution of the Agency, and shall perform such other duties as may be prescribed for him by law or by the Agency. The Chairman shall submit to the Board such recommendations and information as he may consider proper concerning the business, affairs and polices of the Agency.

Section 2.4. Vice-Chairman. The Vice-Chairman, during the absence or disability of the Chairman, shall have all the powers and perform all the duties of the Chairman. The Vice-Chairman shall also perform such other duties as the Board shall prescribe or designate. In case of the resignation or the death of the Chairman, the Vice-Chairman shall perform such duties as are imposed on the Chairman until such time as the Mayor of The City of New York designates a new Chairman.

Section 2.5. Secretary. The Secretary shall record all the votes and record the minutes of the Agency in a journal to be kept for that purpose; attend to the serving of notices of all meetings when required; shall keep in safe custody the seal of the Agency and shall have power to affix such seal to all papers or other documents as may be required and may certify by manual or facsimile signature to the seal of the Agency or its facsimile; shall perform all duties as the Agency may designate.

Section 2.5(1). Assistant Secretary. The Assistant Secretary shall exercise such powers and perform such duties as from time to time may be assigned to him by the Board. At the request of the Secretary or in his absence or disability, the Assistant Secretary shall perform all the duties of the Secretary and when so acting shall have all the powers of and shall be subject to all the restrictions upon the Secretary.

Section 2.6. Treasurer. The Treasurer shall be the chief financial officer of the Agency and shall exercise general supervision over the receipt, custody and disbursement of all Agency funds and securities, except as otherwise provided by resolution and shall cause the same to be deposited forthwith in the name of the Agency in such bank or banks as the Board may designate.

The Treasurer shall sign all instruments of indebtedness, orders and checks for the payments of moneys by the Agency pursuant to the direction of the Board, unless otherwise authorized by resolution of the Board. Except as otherwise authorized by resolution of the Board, all such instruments of indebtedness, orders and checks shall be countersigned by the Chairman, Vice-Chairman or Executive Director.

The Treasurer shall have charge of the treasury and supervision of receipts, deposits and disbursements of all Agency moneys. He shall cause to be maintained full and accurate and separate accounts of the various funds and moneys under his supervision. The Treasurer shall at a reasonable time exhibit the said books and accounts showing all receipts and expenditures, to any member of the Agency during business hours and he shall cause to be rendered an accounting of the current financial condition of the Agency at each regular meeting and a full financial report at each annual meeting covering the Agency's prior fiscal year. He shall have such other powers and duties as are conferred upon him by the Board or by any special or general law.

Section 2.7. Assistant Treasurer. The Assistant Treasurer shall exercise such powers and perform such duties as from time to time may be assigned to him by the Board. At the request of the Treasurer or in his absence or disability, the Assistant Treasurer shall perform all the duties of the Treasurer and when so acting shall have all the powers of and shall be subject to all the restrictions upon the Treasurer.

Section 2.8. Executive and other Committees. The Board may by resolution passed by a majority of the members of the Board then in office, designate an Executive Committee which to the extent provided in such resolution shall have all the authority of the Board which may be delegated and shall have and exercise such powers of the Board in the management of the business and affairs

of the Agency and may authorize the seal of the Agency to be affixed to all papers which may require it. The Executive Committee may consist of the Chairman of the Board, Vice-Chairman, the Secretary, the Treasurer, the Assistant Secretary and Deputy Mayor/Administrator of the Economic Development Administration, his or her representative, or such other or additional persons designated by resolution of the Board. The Board may by resolution designate other committees of the Board each to consist of at least three members which to the extent provided in such resolution shall have the authority of the Board which may be delegated. The Board may by resolution designate members to act as alternative members of any committee, other than the Executive Committee, to replace absent members at meetings of the Committee. The Board may establish a Chairman of the Executive Committee with such powers, duties or responsibilities as are imposed pursuant to the resolutions of the Board or Executive Committee. The Executive Committee shall keep minutes of all proceedings and report such minutes to the Board when required. Each other committee shall keep such minutes to carry out its delegated duties and to report thereon to the Board.

Section 2.9. Other Officers. All other officers of the Agency shall perform such duties pertaining to their respective offices as may be assigned to them from time to time by the Board or the Chairman. Such other officers who are not members shall receive such compensation as may be authorized by the Board.

Section 2.10. Officers Holding Two or More Offices. Any two or more offices may be held by the same person, except as otherwise provided by Law. No officer shall execute or verify any instrument in more than one capacity if such instrument be required by law or otherwise to be executed or verified by any two or more officers.

Section 2.11. Duties of Officers may be Delegated. In case of the absence or disability of any officer of the Agency, or in the case of a vacancy in any office or for any other reason that the Board or the Chairman may deem sufficient, the Board or the Chairman, except as otherwise provided by law or these By-Laws, may delegate, for the time being, the powers or duties of any officer to any other officer or to any member.

Section 2.12. Executive Director. The Executive Director shall be the chief executive officer and shall be appointed by the Board by a two-thirds vote of the members of the Board then in office and shall be responsible for the administration of its affairs. He shall be the general manager of the Agency. He shall exercise supervision and control of all administrative functions of the Agency. He shall be responsible for the implementation of all resolutions, orders, programs or projects of the Agency. He shall act for and in place of any absent officer or employee of the Agency, except the Chairman, Vice-Chairman, Secretary or Treasurer of the Agency. The Executive Director, as well as the Chairman, shall have the power to sign and execute on behalf of the Agency all contracts, notes, bonds or other evidence of indebtedness and to affix and attest to the seal of the Agency when so authorized by resolution of the Agency. He shall attend all meetings of the Agency with the right to take part in the discussion and to recommend such measurers as he may deem necessary or expedient, and shall perform such other duties and have such other powers as may be prescribed for him by law of the Board. He shall have all necessary incidental powers to perform and exercise any of the duties and functions specified above or lawfully delegated to him.

Section 2.12(1). Deputy Executive Director. The Deputy Executive Director shall be appointed by the Board by a majority vote of the members of the Board. At the request of the Executive Director or in his absence or disability, the Deputy Executive Director shall perform all the duties of the Executive Director and when so acting shall have the powers of and shall be subject to all the restrictions upon the Executive Director.

Section 2.13. Additional Duties. The Officers of the Agency shall perform such other duties and functions as may, from time to time, be required by the Board, by its By-Laws, or its rules and regulations.

Section 2.14. Additional Personnel. The Board may appoint such other officers and employees as the Agency may require for the performance of its duties, and fix and determine their qualifications, duties and compensation. The Board may also appoint counsel, fixing compensation for services, which, if permitted by law, shall be payable in addition to other official

compensation, and may retain and employ private consultants for professional and technical assistance and advice.

Section 2.15. Compensation of Members. Members shall receive no compensation for their services as members. The Board may by resolution provide for reimbursement of all necessary expenses, including travel expenses incurred in the discharge of their duties as members.

Section 2.16. Removal of Officers. Any officer appointed by the Agency shall serve at the pleasure of the Board. The Executive Director may be removed by a two-thirds vote of the members of the Board then in office at a meeting providing notice thereof; all other officers may be removed upon a vote of a majority of the Board then in office at a meeting providing notice thereof.

Section 2.17. General Counsel. The General Counsel shall be appointed by the Board by a majority vote of the members of the Board present at such meeting. The General Counsel shall provide legal representation in connection with all of the Agency's proceedings and activities, and shall perform all the duties as the Agency may designate.

ARTICLE III
Meetings

Section 3.1. (a) Annual Meeting. The Annual Meeting of the Board shall be held on the second Tuesday in November of each year or such earlier or later date in each calendar year as may be designated in the notice or waiver of notice of such meeting.

(b) Regular Meetings. Regular meetings of the Board for the transaction of any lawful business of the Agency shall be held on the second Tuesday in each month at such time and place as designated in a notice to be given to the members by the Chairman, Vice-Chairman or Executive Director. When any regular meeting of the Board falls upon a holiday observed by the Agency, the meeting of the Board shall be held upon such other day as the members may previously designate by resolution, and if no such day is designated the meeting shall be held at the same hour on the

next Tuesday following the said holiday or holidays. Any regular meeting of the Agency may be dispensed with by appropriate resolution adopted by the members at any prior meeting of the Board, or by an appropriate resolution adopted by the members at a special meeting held in lieu of a monthly regular meeting.

Section 3.2. Special Meetings. The Chairman, may, when he deems it desirable, and shall upon a written request of three members, call or direct the Executive Director to call a special meeting of the Board for the purpose of transacting any business designated in the notice, or a written agenda accompanying the notice. At such special meeting, no business shall be considered other than as designated in the notice, but if all members of the Board are present at a special meeting, with or without notice thereof, and all are agreeable thereto, any and all business may be transacted at such special meeting.

Section 3.3. Notice. Notice of the time and place of each meeting of the Agency shall be given to each member by mail at least five calendar days before such meeting or personally or by telegram or cable at least twenty-four hours before such meeting. Except as otherwise provided in Article IV, relating to the amendment of these By-Laws, Section 2.16, relating to removal of officers, and in Section 3.2 relating to special meetings, such notice need not specify the matters to be considered at the meeting. Notices by mail shall be deemed to have been given when mailed to each member at his address appearing on records of the Agency, and notices by telegram or cable shall be deemed to have been given when presented for transmission to an office of the telegram or cable company, addressed as in the case of notices by mail.

Section 3.4. Waiver of Notice. Notice of any meeting of the Agency need not be given to a member if waived in writing by him either before or after such meeting, or if he shall be present at such meeting. No notice need be given of any meeting if all the members then in office shall be present thereat. Notice of an adjourned meeting need not be given to any member present at the time of the adjournment.

Section 3.5. Quorum and Notice. A majority of the members shall constitute a quorum for the transaction of any business or the exercise of any power or function of the Board and,

except as otherwise provided in these By-Laws or by any special or general law, any act taken by vote of a majority of those present at any meeting at which a quorum is present shall be the act of the Board. A majority of the members present at any meeting, whether or not constituting a quorum, may adjourn the meeting to another time and place.

Section 3.6. Order of Business. At the regular meeting of the Board, the following shall be the order of business:

1. Roll Call
2. Reading and approval of minutes of previous meeting
3. Reports of the Treasurer
4. Bond Resolutions
5. Reports of Committees
6. Inducement Resolutions
7. Unfinished Business
8. New Business
9. Adjournment

All resolutions shall be in writing and shall be recorded in the journal of the proceedings of the Agency.

The foregoing order of business may be changed or modified at any regular meeting by a resolution of the members made immediately following the roll call or prior to such meeting by service upon each member of a written agenda with the notice of meeting provided in Section 3.3. of this Article.

Section 3.7. Certification of Instruments. Each officer of the Agency shall have the authority, when necessary or appropriate, to certify the records, proceedings, rules and regulations, and other instruments of the Agency and to affix and attest to the official seal of the Agency on contracts and other instruments of the Agency.

Section 3.8. Action by Written Consent of Members. Any action required or permitted to be taken by the Board, other than adoption of a bond resolution or an inducement resolution, or any action required or permitted to be taken by any committee of the Board may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution

authorizing the action. The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

Section 3.9. Action Taken by Telephone Communications. Any action required or permitted to be taken by the Board, other than adoption of a bond resolution or in inducement resolution, or any action required or permitted to be taken by any committee thereof may be taken when any one or more members of the Board or any committee thereof participates in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

ARTICLE IV
By-Laws

Section 4.1. Amendments. These By-Laws may be amended, supplemented or repealed by majority vote of the members then in office at any meeting of the Board if either all the members then in office are present at such meeting or notice of the proposed amendment, supplement, or repeal shall have been included in the notice or waiver of notice of such meetings.

ARTICLE V
Policies and Procedures

Section 5.1. The Agency by resolution may adopt such rules, regulations, policies, and procedures as it may deem necessary and appropriate to the operation so long as the same shall not be contrary to these By-Laws as they may be amended from time to time.

Section 5.2. Audit of Records and Accounts. (1) The Agency shall annually secure a certified audit by accountants designated by the Board of its financial records and accounts in its possession and under its supervision and shall file a copy of such certified audit with the Mayor, and upon request, with the Council of the City of New York, within one-hundred and twenty days

after the close of the Agency's fiscal year for its proceedings and its activities during the preceding fiscal year.

(2) The Board may authorize any other operating statement which it may determine is required for its operation.

ARTICLE VI
Miscellaneous Provisions

Section 6.1. Indemnification. The Agency shall, to the fullest extent permitted by law, indemnify any person made or threatened to be made, a party to any action or proceeding, other than a criminal action, by reason of the fact that such person, his testator or intestate, was a director or an officer or employee of the Agency or served at the request of the Agency, as a director or an officer or employee of any subsidiary of the Agency, against judgments, fines, amounts paid in settlement and reasonable expenses, including, attorneys' fees, actually and necessarily incurred as a result of such action or proceeding (including any appeal therein), providing (a) such director, officer or employee acted in good faith for a purpose which he reasonably believed to be in the best interests of the Agency and (b) it is not determined in any action or proceeding that such director, officer or employee acted without reasonable cause to believe that this conduct was lawful, and (c) such person, his testator or intestate, shall have first exhausted all the rights and remedies granted, and shall have satisfied all the obligations imposed by subdivision (1) of Section 917 of the General Municipal Law as set out in Chapter 958 of the Laws of 1977 of the State of New York.

RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY AUTHORIZING AMERICAN AIRLINES, INC. TO RENOVATE AND RECONSTRUCT EXISTING AIRCRAFT HANGERS AT JFK INTERNATIONAL AIRPORT AND TO DEMOLISH TERMINALS 8 AND 9 AT JFK INTERNATIONAL AIRPORT AND ACQUIRE, CONSTRUCT, IMPROVE AND EQUIP CERTAIN LEASAEHOLD IMPROVEMENTS ON SAID TERMINAL SITES CONSISTING OF THE CONSTRUCTION OF AN APPROXIMATELY 2,000,000 SQUARE FOOT AIR PASSENGER TERMINAL TOGETHER WITH RELATED ARRIVAL AND DEPARTURE ACCESS RAMPS AND PARKING FACILITIES AND RELATED IMPROVEMENTS AND THE ACQUISITION AND INSTALLATION OF MACHINERY AND EQUIPMENT IN CONNECTION THEREWITH, ALL FOR USE IN PROVIDING DOMESTIC AND INTERNATIONAL AIR TRAVEL, FOR LEASE TO THE AGENCY AND SUBSEQUENT SUB-LEASE TO AMERICAN AIRLINES, INC., AND TO TAKE OTHER PRELIMINARY ACTION

WHEREAS, New York City Industrial Development Agency, New York, New York (the "Agency") is authorized under the laws of the State of New York, and in particular the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act"), to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, civic and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living; and

WHEREAS, American Airlines, Inc. (the "Applicant"), has entered into negotiations with officials of the Agency with respect to the renovation and reconstruction of existing aircraft hangers at JFK International Airport and the demolition of Terminals 8 and 9 at JFK International Airport and the acquisition, construction and equipping on said terminal sites by the Agency with the proceeds of a bond issue of an air passenger terminal facility consisting of the acquisition, construction and equipping of an approximately 2,000,000 square foot air passenger terminal together with related arrival and departure access ramps and parking facilities and the acquisition and installation of machinery and equipment in connection therewith, all for use in providing domestic and international air travel, all as more specifically described in the project financing proposal (the "Project") and the lease of the Project to the Applicant, such Project to be located at John F. Kennedy International Airport, Queens, News York; and

WHEREAS, the Applicant has submitted a Project Application to the Agency to initiate the accomplishment of the above; and

WHEREAS, the Project Application sets forth certain information with respect to the Applicant and the Project, including the following: that acquisition, renovation, reconstruction,

construction and equipping of the facility are required to induce the Applicant to expand domestic and international air travel services in New York City by providing low operating cost and the necessary hanger and terminal space in order to maintain the Applicant's steady growth and remain competitive so that over the term of the Project 4,700 jobs will be retained and, after completion of the Project, it is estimated that approximately 1,200 jobs will be created; and that, therefore, Agency financing assistance is necessary to encourage the Applicant to proceed with the Project and reconstruction and expansion of the facilities; and

WHEREAS, based upon the Project Application, the Agency hereby determines that Agency financing assistance is necessary to encourage the Applicant to proceed with the Project and to encourage the Applicant to expand its facilities in New York City; and

WHEREAS, the Project should not be delayed by the requirement of determining the details of a bond issue, which cannot be immediately accomplished, and the Applicant has agreed to expend its own funds with respect to the Project, subject to reimbursement from the proceeds of the bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. The Agency hereby determines that the acquisition, construction, and equipping of the Project and the financing thereof by the Agency pursuant to the New York State Industrial Development Agency Act will promote and is authorized by and will be in furtherance of the policy of the State as set forth in said Act and hereby authorizes the Applicant to proceed with the Project.

The Agency further determines that:

(a) the Project shall not result in the removal of any facility or plant of the Applicant or any other user or occupant of the Project from outside of the City (but within the State of New York) to within the City or in the abandonment of one or more facilities or plants of the Applicant or any other user or occupant of the Project located within the State of New York but outside of the City; and

(b) no funds of the Agency shall be used in connection with the Project for the purpose of preventing the establishment of an industrial or manufacturing plant or for the purpose of advertising or promotional materials which depict elected or appointed government officials in either print or electronic media, nor shall any funds of the Agency be given in connection with the Project to any group or organization which is attempting to prevent the establishment of an industrial or manufacturing plant within the State of New York.

Section 2. The Agency hereby determines that the acquisition, reconstruction, renovation, construction, and equipping of the Project and the financing thereof by the Agency pursuant to the New York State Industrial Development Agency Act will promote and are authorized by and will be in furtherance of the policy of the State as set forth in said Act and hereby authorizes the Applicant to proceed with the Project.

Section 3. The Agency hereby authorizes the Applicant to proceed with the Project as herein authorized, which Project will be financed through the issuance of the bonds of the Agency, which bonds will be special obligations of the Agency payable solely from the revenues and other amounts derived pursuant to a lease or sublease of the Project.

Section 4. Subject to Section 9 hereof, the Agency intends to proceed, subject to agreement among the Agency, the Applicant and the purchaser of the bonds as to terms in all agreements to be entered into with respect to the Project, with the issuance of the bonds to finance the Project in an amount of approximately $1,300,000,000.

Section 5. The Chairman, Vice Chairman, Executive Director and Deputy Executive Director of the Agency and other appropriate officials of the Agency and its agents and employees are hereby authorized and directed to take whatever steps may be necessary to cooperate with the Applicant to assist in the acquisition, reconstruction, renovation, construction, and equipping of the Project.

Section 6. The Applicant is authorized to initiate the acquisition, construction, and equipping of the Project and to advance such funds as may be necessary to accomplish such purposes, subject to reimbursement for all qualifying expenditures paid or incurred after the date hereof out of the proceeds of the bonds to be issued by the Agency. The Agency is hereby authorized to enter into such agreements with the Applicant as the Chairman, Vice Chairman, Executive Director or Deputy Executive Director of the Agency may deem necessary in order to accomplish the above.

Section 7. Any qualified costs incurred by the Applicant in initiating the acquisition, reconstruction, renovation, construction, and equipping of the Project shall be reimbursed by the Agency from the proceeds of the Bonds; provided that the Agency incurs no liability with respect thereto.

Section 8. Any expenses incurred by the Agency with respect to the Project and the financing thereof shall be reimbursed out of the proceeds of the bonds, or, in the event such proceeds are insufficient after payment of other costs of the Project or bonds are not issued by the Agency due to inability to consummate the transaction herein contemplated shall be paid by the Applicant. By acceptance hereof, the Applicant agrees to pay such expenses and further agrees to indemnify the Agency, its members, directors, officers, employees and agents and hold the Agency and such persons harmless against claims for losses, damage or injury or any expenses or damages incurred as a result of action taken by or on behalf of the Agency in good faith with respect to the Project and the financing thereof.

Section 9. The issuance of the Bonds shall be subject to the approval of a private investigative report with respect to American Airlines, Inc. and receipt by the Agency of a report of Allee King Rosen & Fleming, Inc., with respect to determinations required to be made by the Agency pursuant to Section 862(2)(b)(ii) of the General Municipal Law. No financial assistance (as defined in the Act) shall be granted by the Agency with respect to the Project until the determinations required pursuant to Section 862(2)(b)(ii) of the General Municipal Law have been made by the Agency. The provisions of this Resolution shall continue to be effective until one year from the date hereof whereupon the Agency may, at its option, terminate the

effectiveness of this Resolution (except with respect to the matters contained in Section 8 hereof) unless prior to the expiration of such year (i) the Agency shall by subsequent resolution extend the effective period of this Resolution, (ii) the Agency shall adopt a resolution authorizing the issuance of the Agency's bonds or notes to finance the costs of the Project as herein authorized or (iii) the Applicant shall be continuing to take affirmative steps satisfactory to the Agency to secure financing for the Project.

Section 10. The Agency is issuing this determination pursuant to the State Environmental Quality Review Act (SEQRA) (Article 8 of the Environmental Conservation Law) and implementing regulations contained in 6 N.Y.C.R.R. Part 617. This determination is based upon the Agency's review of information provided by the Applicant and such other information as the Agency has deemed necessary and appropriate to make this determination.

The Agency has determined that the proposed Project, an unlisted action pursuant to SEQRA and the implementing regulations, will not have a significant effect on the environment and that a Draft Environmental Impact Statement will not be prepared. The reasons supporting this determination are as follows:

1. The proposal will not result in a substantial adverse change in existing air quality, traffic or noise levels.

2. The proposal will not result in the impairment of the character or quality of important historical, archeological, architectural, or aesthetic resources or of existing community or neighborhood character.

3. The proposal will not result in the creation of a hazard to human health.

4. No other significant effects upon the environment that would require the preparation of an Environmental Impact Statement are foreseeable.

Section 11. The statements contained in this Resolution with respect to the reimbursement of certain expenditures described in this Resolution are intended to be statements of official intent as required by, and in conformance with, the provisions of Treasury Regulation Section 1.150-2. Any expenditures to be reimbursed pursuant to this Resolution will be paid after the date hereof in connection with the Project. The Agency reasonably expects to reimburse the expenditures described in this Resolution with the proceeds of tax-exempt bonds to be issued by the Agency subsequent to the date hereof, but this Resolution does not constitute a binding obligation to issue such bonds.

Section 12. In connection with the Project, the Agency intends to grant the Applicant financial assistance in the form of tax-exempt bond financing and sales and/or use tax exemptions, all as set forth in the project financing proposal.

Section 13. This Resolution is to take effect immediately.

ADOPTED: December 9, 1999.

Accepted _____, 1999.

AMERICAN AIRLINES, INC.

By:_____
Name:
Title:

(SEAL)

ATTEST:

_____

(SEAL)

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ATTEST:

RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY SPECIAL FACILITY REVENUE BONDS, (AMERICAN AIRLINES, INC. PROJECT), IN THE AGGREGATE PRINCIPAL AMOUNT OF APPROXIMATELY TWO HUNDRED AND FIFTY MILLION DOLLARS ($250,000,000); APPROVING THE FORM OF, AND AUTHORIZING THE EXECUTION AND DELIVERY OF, AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURES OF TRUST, A LEASE AGREEMENT, A COMPANY SUBLEASE AGREEMENT, A LEASEHOLD MORTGAGE AND SECURITY AGREEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the New York City Industrial Development Agency, New York, New York (the "Agency") is authorized under the laws of the State of New York, and in particular the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act"), to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, civic and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living;

WHEREAS, American Airlines, Inc. (the "Company"), has entered into negotiations with officials of the Agency with respect to the renovation and reconstruction of existing aircraft hangers at John F. Kennedy International Airport and the phased demolition of Terminals 8 and 9 at John F. Kennedy International Airport and the acquisition, reconstruction and equipping on said terminal sites by the Agency with the proceeds of a bond issue of an air passenger terminal facility consisting of the acquisition, construction and equipping of an approximately 2,000,000 square foot air passenger terminal together with related arrival and departure access ramps and parking facilities (the "Leased Facilities") and the acquisition and installation of machinery and equipment (the "Facility Equipment" together with the Leased Facilities the "Facility") in connection therewith, all for use in providing domestic and international air travel, all as more specifically described in the project financing proposal (the "Project") and the lease of the Facility to the Applicant, such Facility to be located at John F. Kennedy International Airport, in Queens, New York; and

WHEREAS, the Leased Facilities and certain real property related thereto will be subleased by the Port Authority of New York and New Jersey to the Company pursuant to the Amended and Restated Lease (No. AYB-085R) (the "PA Lease") and sub-subleased by the Company to the Agency pursuant to a Company Sublease Agreement (the "Company Sublease Agreement");

WHEREAS, the Leased Facilities will be sub-subleased by the Agency and the Facility Equipment will be leased by the Agency to the Company pursuant to a Lease Agreement (the "Lease Agreement"); and

WHEREAS, in order to finance a portion of the costs of the Project consisting of Phase I Project Costs, the Agency intends to issue its Special Facility Revenue Bonds, (American Airlines, Inc. Project), in one or more series in an aggregate principal amount of approximately Two Hundred Fifty Million Dollars ($250,000,000) (the "Bonds"), all pursuant to the Act, an Indenture of Trust (the "Master Indenture"), one or more Supplemental Indentures of Trust (collectively the "Supplemental Indenture", or "Supplemental Indentures" together with the Master Indenture, the "Indenture") to be entered into between the Agency and The Bank of New York as Trustee (the "Trustee"), under which the Agency will grant to the Trustee (and its successors and assigns) a security interest constituting a lien on the Trust Estate (as defined in the Indenture);

WHEREAS, the Master Indenture provides that the Agency may authorize the issuance of one or more series of Bonds pursuant to one or more Supplemental Indentures entered into in accordance with Section 2.02 of the Master Indenture; and

WHEREAS, the Bonds will be further secured by a Guaranty Agreement (the "Guaranty") from the Company and AMR Corporation to the Agency and the Trustee, and if required for the sale of the Bonds to the purchasers thereof the Bonds will be secured by a Leasehold Mortgage and Security Agreement (the "Mortgage"), from the Agency and the Company to the Trustee; and

WHEREAS, to accomplish its corporate purposes, the Agency has entered into negotiations with the Lessee to induce the Lessee to proceed with the Project; and

WHEREAS, the Project is necessary to provide employment in, and is beneficial for the economy of, The City of New York and Agency financing assistance is reasonably necessary to induce the Lessee to proceed with the Project; and

WHEREAS, the Lessee has requested the Agency to issue its bonds to finance a portion of the costs of the Project consisting of Phase I Project Costs; and

WHEREAS, the Lessee has retained Salomon Smith Barney, Merrill Lynch & Company, Inc., and J.P. Morgan & Company to act as underwriters (collectively, the "Underwriter") in connection with the sale of the Bonds to purchasers of the Bonds; and

WHEREAS, the Underwriter has committed to purchase the Bonds and the Agency now intends to sell the Bonds to the Underwriter pursuant to a Bond Purchase Agreement to be entered into between the Agency and the Underwriter (the "Bond Purchase Agreement"); and

WHEREAS, it is necessary in connection with the offering and sale of the Bonds for the Underwriter to distribute a Preliminary Official Statement (the "Preliminary Official Statement") and Official Statement (the "Official Statement") relating to the Bonds; and

WHEREAS, the Agency deems it advisable to authorize the issuance and underwriting of the Bonds, to approve the forms of the Master Indenture, the Supplemental Indenture, the Lease Agreement, the Company Sublease Agreement, the Mortgage, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement and such other documents deemed necessary in connection with the issuance of the Bonds (collectively, the "Agency Documents"), and to authorize the execution and delivery thereof and certain other matters relating thereto; and

NOW, THEREFORE, BE IT RESOLVED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. To accomplish the purposes of the Act and to provide for the financing of Phase I Project Costs, the issuance of the Bonds in one or more series of the Agency is hereby authorized (in the aggregate principal amount of Two Hundred Fifty Million Dollars ($250,000,000), or such greater amount (not to exceed 10% of such stated amount)) as approved by the Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, and having a final maturity date of not later than December 31, 2041 subject to the provisions of this Resolution, the Master Indenture and the Supplemental Indenture hereinafter authorized.

The Bonds shall be dated as provided in the Master Indenture and the Supplemental Indenture, shall be issued in fully registered form, shall be issued in one or more series, shall be payable as to principal, interest and redemption premium, if any, or purchase price at the principal office of the Trustee, shall bear interest from their date at the rate per annum calculated as set forth in the Bonds and the applicable Supplemental Indenture, but at no time greater than the maximum rate of interest permitted under applicable law, such interest to be payable on the unpaid principal amount thereof in consecutive payments until the payment in full of the principal amount thereof and shall mature not later than December 31, 2041 (except as the provisions set forth in the Supplemental Indenture with respect to redemption prior to maturity may become applicable thereto), all as set forth in the Bonds.

The provisions for signatures, authentication, series designation, payment, delivery, redemption, tender, purchase, maturity and number of the Bonds shall be as set forth in the Master Indenture and the Supplemental Indenture hereinafter authorized.

Section 2. The Bonds shall be secured by the Guaranty, the Mortgage (to the extent required for the sale of the Bonds to the purchasers thereof), and the pledge effected by the Indenture, and shall be payable solely from and secured by a pledge of the lease rentals, revenues and receipts derived from or in connection with the Facility to the extent set forth in the Guaranty, the Indenture and the Mortgage as hereinafter authorized. The Bonds, together with the interest thereon, are special limited obligations of the Agency, payable solely from the Trust Estate as provided in the Indenture, the Guaranty and if required for the sale of the Bonds to the purchasers thereof, the Mortgage and shall never constitute a debt of the State of New York nor

of The City of New York and neither the State of New York nor the City of New York shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Section 3. For the purpose of setting forth the terms and provisions applicable to the Bonds, providing security for the payment of the Bonds, and the Series designation of the Bonds, the Master Indenture and one or more Supplemental Indentures relating to each Series of Bonds, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, or Deputy Executive Director, the General Counsel or the Vice President of Legal Affairs of the Agency, shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, are hereby authorized and directed to execute, acknowledge and deliver the Master Indenture and Supplemental Indentures in the name of the Agency. The execution and delivery of the Master Indenture and any Supplemental Indentures shall be conclusive evidence of due authorization and approval of the Master Indenture and any Supplemental Indentures in its final form.

Section 4. For purposes of providing the terms and conditions applicable to the sub-subleasing of the Facility by the Agency to the Lessee, the Lease Agreement, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Lease Agreement in the name of the Agency. The execution and delivery of the Lease Agreement shall be conclusive evidence of due authorization and approval of the Lease Agreement in its final form.

Section 5. For purposes of providing the terms and conditions applicable to the subleasing of the Facility by the Company to the Agency, the Company Sublease Agreement, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Company Sublease Agreement in the name of the Agency. The execution and delivery of the Company Sublease Agreement shall be conclusive evidence of due authorization and approval of the Company Sublease Agreement in its final form.

Section 6. For the purpose of setting forth the terms and provisions applicable to providing security for the payment of the Bonds and solely to the extent the same is required for sale of the Bonds to the purchasers thereof, the Mortgage, substantially in the form thereof as presented to this meeting and made a part hereof as if fully set forth herein, with such changes as the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is,

hereby approved; and the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency is hereby authorized and directed to execute, acknowledge and deliver the Mortgage in the name of the Agency. The execution and delivery of the Mortgage shall be conclusive evidence of due authorization and approval of the Mortgage in its final form. In conjunction with the execution and delivery of the Mortgage herein authorized, the Agency will grant the Lessee financial assistance in the form of an exemption from mortgage recording taxes.

Section 7. That for the purpose of providing for the offering and sale of the Bonds and further setting forth information relating to the Bonds, a Preliminary Official Statement, in the form thereof as presented to this meeting and made a part hereof as fully as if set forth herein, with such changes, omissions, insertions and revisions as the Chairperson, Vice Chairperson, Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable, be, and the same is, hereby approved; and the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency, in the name of the Agency, is hereby authorized and directed to deem the Preliminary Official Statement final when appropriate and is further authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in substantially the form of the Preliminary Official Statement with such changes, omissions, insertions and revisions as the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable; and the distribution of the Preliminary Official Statement and the final Official Statement by the Underwriter in connection with the offering of the Bonds is hereby authorized.

Section 8. For purposes of providing for the sale of the Bonds to the Underwriter, the Bond Purchase Agreement, by and between the Agency and the Underwriter, substantially in the form thereof as presented to the meeting and made a part hereof as fully as if set forth herein as the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs of the Agency shall deem advisable, is hereby authorized to be entered into, and the Chairperson, the Vice Chairperson, the Executive Director, the Deputy Executive Director, the General Counsel or the Vice President for Legal Affairs, in the name of the Agency, is hereby authorized and directed to execute the Bond Purchase Agreement and any amendments or supplements thereto.

Section 9. The power (i) to establish the final aggregate principal amount of the Bonds and the final aggregate principal amount of Bonds to be included in each Series, the principal amount of Bonds maturing in each year, the final maturity date for the Bonds (not later than December 31, 2041), the Series designations of the Bonds, the initial interest rate to be borne by the Bonds (not exceeding the Maximum Rate (as such term is defined in the Indenture)), the redemption provisions of the Bonds and the date and place for the sale of and closing for the Bonds, (ii) to negotiate the terms of the sale of the Bonds to the Underwriter thereof, and (iii) to execute and deliver any and all documents required in connection therewith are hereby delegated to the Chairman, Vice Chairman, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs or any one of such officers acting individually.

Section 10. The Bonds are hereby authorized to be issued and sold at such purchase price as shall be approved by the Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency pursuant to the Bond Purchase Agreement.

Section 11. All covenants, stipulations, obligations and agreements of the Agency contained in this Resolution and contained in the Agency Documents shall be deemed to be the covenants, stipulations, obligations and agreements of the Agency to the full extent authorized or permitted by law, and such covenants, stipulations, obligations and agreements shall be binding upon the Agency and its successors from time to time and upon any board or body to which any power or duties affecting such covenants, stipulation, obligation and agreement shall be transferred by or in accordance with law. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Agency or the members thereof by the provisions of this Resolution or any of the Agency Documents shall be exercised or performed by the Agency or by such members, officers, board or body as may be required by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in any of the Agency Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member, officer, agent or employee of the Agency in his individual capacity and neither the members of the Agency nor any officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12. The Agency is hereby authorized to cause the Lessee to proceed with the Project. For the purpose of effecting the Project, the officers of the Agency are hereby authorized and directed to apply, or cause application of, a portion of the proceeds to the Bonds to pay all or a portion of the costs of acquisition, construction, reconstruction, equipping and improvement of the Facility and other Phase I Project Costs, including, without limitation, issuance costs relating to the Bonds, all as more particularly authorized by the terms and provisions of the Indenture and the Lease Agreement. The Lessee is authorized to proceed with the Project on behalf of the Agency as set forth in the Lease Agreement; provided, however, that it is acknowledged and agreed by the Lessee that the Lessee is hereby constituted the agent for the Agency solely for the purpose of effecting the Project and the Agency shall have no personal liability for any such action taken by the Lessee for such purpose.

Section 13. The Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency are hereby designated the authorized representatives of the Agency and each of them is hereby authorized and directed to execute and deliver any and all papers, instruments, opinions, deeds, certificates, affidavits, agreements, and other documents and to and cause to be done any and all acts and things necessary or proper for consummation of the transactions provided for or contemplated by this Resolution, the Company Sublease Agreement, the Lease Agreement, the Mortgage, the Master Indenture, the Supplemental Indentures, Bond Purchase Agreement and the issuance of the Bonds.

Section 14. This resolution shall take effect immediately.

ADOPTED: October 23 , 2001

AMENDING AUTHORIZING RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY INCREASING THE AGGREGATE PRINCIPAL AMOUNT OF BONDS AUTHORIZED FOR THE AMERICAN AIRLINES, INC. PROJECT

WHEREAS, on October 23, 2001, the New York City Industrial Development Agency (the "Agency") authorized a resolution (the "Original Authorizing Resolution") having the following caption:

> **"RESOLUTION OF THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY SPECIAL FACILITY REVENUE BONDS, (AMERICAN AIRLINES, INC. PROJECT), IN THE AGGREGATE PRINCIPAL AMOUNT OF APPROXIMATELY TWO HUNDRED AND FIFTY MILLION DOLLARS ($250,000,000); APPROVING THE FORM OF, AND AUTHORIZING THE EXECUTION AND DELIVERY OF, AN INDENTURE OF TRUST, SUPPLEMENTAL INDENTURES OF TRUST, A LEASE AGREEMENT, A COMPANY SUBLEASE AGREEMENT, A LEASEHOLD MORTGAGE AND SECURITY AGREEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT; AND AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH."**

WHEREAS, American Airlines, Inc. (the "Company"), has entered into negotiations with officials of the Agency with respect to the renovation and reconstruction of existing aircraft hangers at John F. Kennedy International Airport and the phased demolition of Terminals 8 and 9 at John F. Kennedy International Airport and the acquisition, reconstruction and equipping on said terminal sites by the Agency with the proceeds of a bond issue of an air passenger terminal facility consisting of the acquisition, construction and equipping of an approximately 2,000,000 square foot air passenger terminal together with related arrival and departure access ramps and parking facilities (the "Leased Facilities") and the acquisition and installation of machinery and equipment (the "Facility Equipment" together with the Leased Facilities the "Facility") in connection therewith, all for use in providing domestic and international air travel, all as more specifically described in the project financing proposal (the "Project") and the lease of the Facility to the Applicant, such Facility to be located at John F. Kennedy International Airport, in Queens, New York; and

WHEREAS, in order to finance a portion of the costs of the Project consisting of Phase I Project Costs, the Agency authorized the issuance of its Special Facility Revenue Bonds, (American Airlines, Inc. Project), in one or more series in an aggregate principal amount of

approximately Two Hundred Fifty Million Dollars ($250,000,000), all pursuant to the Original Authorizing Resolution;

WHEREAS, the Company has now determined that the Phase I Project Costs shall equal an amount not to exceed seven hundred million dollars ($700,000,000), and the Agency now intends to issue its Special Facility Revenue Bonds, (American Airlines, Inc. Project) in one or more series in an aggregate principal amount of approximately seven hundred million dollars ($700,000,000) (the "Bonds").

NOW, THEREFORE, BE IT RESOLVED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. Section 1 of the Original Authorizing Resolution is amended to read as follows:

"To accomplish the purposes of the Act and to provide for the financing of Phase I Project Costs, the issuance of the Bonds in one or more series of the Agency is hereby authorized in the aggregate principal amount of Seven Hundred Million Dollars ($700,000,000), or such greater amount (not to exceed 10% of such stated amount) as approved by the Chairperson, Vice Chairperson, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs of the Agency, and having a final maturity date of not later than December 31, 2041 subject to the provisions of this Resolution, the Master Indenture and the Supplemental Indenture hereinafter authorized.

The Bonds shall be dated as provided in the Master Indenture and the Supplemental Indenture, shall be issued in fully registered form, shall be issued in one or more series, shall be payable as to principal, interest and redemption premium, if any, or purchase price at the principal office of the Trustee, shall bear interest from their date at the rate per annum calculated as set forth in the Bonds and the applicable Supplemental Indenture, but at no time greater than the maximum rate of interest permitted under applicable law, such interest to be payable on the unpaid principal amount thereof in consecutive payments until the payment in full of the principal amount thereof and shall mature not later than December 31, 2041 (except as the provisions set forth in the Supplemental Indenture with respect to redemption prior to maturity may become applicable thereto), all as set forth in the Bonds.

The provisions for signatures, authentication, series designation, payment, delivery, redemption, tender, purchase, maturity and number of the Bonds shall be as set forth in the Master Indenture and the Supplemental Indenture hereinafter authorized."

Section 2. Except as provided in the foregoing Section 1, the provisions of the Original Authorizing Resolution shall remain in full force and effect.

Section 3. This resolution shall take effect immediately.

ADOPTED: November 13 , 2001

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS SERIES 2002A BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS SERIES 2002A BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS SERIES 2002A BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS SERIES 2002A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY SERIES 2002A BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

No. R-1 $120,000,000

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
SPECIAL FACILITY REVENUE BOND, SERIES 2002A
(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: $120,000,000
LONG-TERM INTEREST RATE: 8%
CUSIP NUMBER: 64971SBG3
MATURITY DATE: August 1, 2012

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a First Series Supplemental Indenture (the "First Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as supplemented by the First Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture". All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002A Bond and the issue of which it is a part shall bear interest at a Long-Term Interest Rate of 8.00% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002A Bonds and ending July 31, 2012. The principal of this Series 2002A Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002A Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002A Bond shall be payable on each Interest Payment Date by the Paying Agent, by check mailed on the date on which such interest is due to the holders of the Series 2002A Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of any holder of Series 2002A Bonds in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002A Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond. Payment of the principal and Redemption Price, if any, of and interest on this Series 2002A Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002A Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002A Bond to the contrary, so long as this Series 2002A Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal and Redemption Price, if any, of and interest on this Series 2002A Bond.

THIS SERIES 2002A BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS SERIES 2002A BOND BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

This Series 2002A Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002A Bonds") issued in the aggregate principal amount of $120,000,000. The Series 2002A Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002A Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of lease dated as of August 1, 1976 as amended and restated in an Agreement of Lease dated December 22, 2000, as amended (collectively the "PA Lease"). The Lessee and the Agency have entered into a Company Sublease Agreement, dated as of July 1, 2002 (the "Company Sublease"), pursuant to which the Lessee will sub-sublease to the Agency certain real property and improvements to be made or acquired on the Project Premises (the "Leased Facilities") pursuant to the PA Lease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease to the Lessee certain Leased Facilities, and lease to the Lessee the certain systems, machinery, equipment and other tangible personal property (the "Facility Equipment") to be acquired by the Agency on behalf of the Lessee and installed as part of the Project, such improvements, machinery, equipment and tangible personalty to be financed in whole or in part with the proceeds of the Series 2002A Bonds, the Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency and Additional Bonds issued under the Indenture. The Leased Facilities and the Facility Equipment financed in part by the Series 2002A Bonds are referred to collectively herein as the "Facility". The IDA Lease Agreement requires the payment of rentals sufficient to provide for the payment of the principal and Redemption Price, if any, of and interest on the Series 2002A Bonds, together with certain other fees and expenses, as the same become due. Pursuant to the Indenture

the Agency has the right to issue one or more Series of Additional Bonds to finance Project Costs.

Special Obligation. This Series 2002A Bond and the issue of which it is a part are special obligations of the Agency payable as to principal and interest solely from, and secured by a pledge of certain of, the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement, the moneys and securities held in certain funds and accounts established under the Indenture (subject to disbursements therefrom in accordance with the provisions of the Indenture), a Guaranty from the Lessee to the Trustee and a Guaranty from AMR Corporation ("AMR") to the Trustee (collectively the "Guaranty"), and an Equipment Security Agreement from the Agency and the Lessee to the Trustee (the "Equipment Security Agreement"). Payments of amounts due under the Guaranty will be secured by a Leasehold Mortgage and Security Agreement from the Lessee to the Trustee and consented to by the Agency (the "Leasehold Mortgage"). Notwithstanding any other provision herein to the contrary, the Leasehold Mortgage shall not attach, and neither the Leasehold Mortgagee nor the Bondholders shall have any rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and any rights under the Leasehold Mortgage shall not be exercisable until the Reletting Rights Effective Date. In addition to the foregoing, the Series 2002A Bonds will be secured by a pledge and assignment of the Agency's non-possessory right, title and interest in and to the IDA Lease Agreement (exclusive of the Agency's Reserved Rights), as provided in the Indenture. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement, or otherwise default under the IDA Lease Agreement, and the Guarantor shall fail to satisfy its obligations under the Guaranty and, as a result thereof, the principal of the Series 2002A Bonds is declared or becomes due and payable, except as provided in the Equipment Security Agreement and the Leasehold Mortgage, none of the Agency, the Trustee or any holders of Series 2002A Bonds shall have any rights or remedies with respect to the Facility and such rights and remedies shall be limited as set forth in Section 8.12 of the Indenture and in the Leasehold Mortgage. Except as provided in the Equipment Security Agreement, the Series 2002A Bonds are not secured by any lien on or security interest or other interest in the property comprising the Facility or any part thereof or by any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

Each Series of Bonds including the Series 2002A Bonds issued pursuant to the Indenture shall, except as provided in any Series Supplemental Indenture relating thereto, be secured on a parity basis with all other Series of Bonds, if any, issued pursuant to the Indenture without preference, priority or distinction of any Bond over any other Bonds except as provided in the Indenture.

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease

Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Accrual of Interest on the Series 2002A Bonds. The Series 2002A Bonds shall bear interest at the Long-Term Interest Rate of 8% per annum for a Long-Term Interest Rate Period ending July 31, 2012. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the First Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002A Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002A Bonds shall be in default, Series 2002A Bonds issued in exchange for Series 2002A Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002A Bonds, or if no interest has been paid on the Series 2002A Bonds, from the date of the first authentication of Series 2002A Bonds under the Indenture.

Interest Payment Date. Interest on this Series 2002A Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002A Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Denominations. The Series 2002A Bonds shall be issued in the form of fully registered Bonds in the denominations of (i) $100,000 and any integral multiple of $5,000 in excess thereof when the Series 2002A Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P and (ii) $5,000 and any integral multiple thereof when the Series 2002A Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P (the *"Authorized Denominations"*).

Redemption of Series 2002A Bonds

The Series 2002A Bonds may be redeemed only as described below.

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002 Bonds. The Series 2002A Bonds shall be subject to extraordinary optional redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof together with accrued interest to the date of redemption and without premium, if the Lessee shall have delivered to the Agency and the Trustee an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002A Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002A Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 2002A Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Optional Redemption Without Premium. The Series 2002A Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of

such use or control of the Facility as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at The Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002A Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002A Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002A Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002A Bonds together with all other Bonds shall be subject to mandatory redemption on a pro rata basis in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002A Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002A Bond so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002A Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002A Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Redemption Upon the Occurrence of a Determination of Taxability. The Series 2002A Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002A Bonds, together with accrued interest to the date of

redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002A Bonds or the Lessee of a Determination of Taxability. All of the Series 2002A Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002A Bonds would have the result that interest payable on the remaining Series 2002A Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002A Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002A Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002A Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002A Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002A Bonds, the affected Series 2002A Bonds will not be subject to redemption in the manner described above, except for any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002A Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002A Bonds to be redeemed shall be selected in accordance with the Indenture.

Notice of Redemption. Notice of optional or mandatory redemption of the Series 2002A Bonds or any principal portion thereof, shall be given as provided in the Indenture and the First Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002A Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002A Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002A Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002A Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied

with a written instrument of transfer in the form appearing on this Series 2002A Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002A Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002A Bond, exist, have happened and have been performed, and that the issuance of this Series 2002A Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002A Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002A Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002A Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002B Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs, all as of the Bond Date indicated above.

NEW YORK CITY NDUSTRIAL DEVELOPMENT AGENCY

By: _____
Carolyn A. Edwards
Deputy Executive Director

(SEAL)

ATTEST:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002A Bonds described in the within mentioned First Series Supplemental Indenture.

The Bank of New York, as Trustee

By: Beverly Gardner
Authorized Signatory

Date of Authentication: July 31, 2002

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS SERIES 2002B BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS SERIES 2002B BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS SERIES 2002B BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS SERIES 2002B BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (A) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY SERIES 2002B BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

No. R-1 $380,000,000

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
SPECIAL FACILITY REVENUE BOND, SERIES 2002B
(AMERICAN AIRLINES, INC. JOHN F. KENNEDY INTERNATIONAL AIRPORT PROJECT)

[FOR USE WHEN SERIES 2002B BONDS ARE IN CERTIFICATED FORM]
FOR BOND INTEREST TERM RATE PERIOD ONLY

INTEREST RATE (%)	FIRST DAY OF BOND INTEREST TERM AND INTEREST ACCRUAL DATE:	FIRST DAY OF NEXT BOND INTEREST TERM AND INTEREST PAYMENT DATE:	INTEREST DUE ON NEXT INTEREST PAYMENT DATE:	NUMBER OF DAYS IN BOND INTEREST TERM

REGISTERED OWNER: Cede & Co.
PRINCIPAL AMOUNT: $380,000,000
CUSIP NUMBER: 64971SBJ7
MATURITY DATE: August 1, 2028

The New York City Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, duly organized and existing under the laws of the State of New York (herein called the "Agency"), for value received, hereby promises to pay to the registered owner named above or registered assigns, solely from the lease rentals, revenues and receipts payable by American Airlines, Inc. (the "Lessee") under the IDA Lease Agreement, as it may be amended from time to time (the "IDA Lease Agreement") dated as of July 1, 2002 between the Agency and the Lessee as provided in the Master Indenture of Trust (the "Master Indenture") as supplemented by a Second Series Supplemental Indenture (the "Second Series Supplemental Indenture") both between the Agency and The Bank of New York as trustee (the "Trustee") and both dated as of July 1, 2002, as both may be amended and supplemented, upon presentation and surrender hereof, the principal set forth above at the rate or rates of interest and on the dates determined as described herein. The Master Indenture as heretofore supplemented and as supplemented by the Second Series Supplemental Indenture and as otherwise supplemented and amended is herein called the "Indenture." All capitalized terms used herein but not otherwise herein defined shall have the same meanings as set forth in the Indenture. This Series 2002B Bond and the issue of which it is a part shall bear interest initially at a Long-Term Interest Rate of 8.50% per annum for a Long-Term Interest Rate Period commencing on the date of issuance of such Series 2002B Bonds and ending July 31, 2028. The principal of and premium (if any) on this Series 2002B Bond is payable in lawful money of the United States of America to the holder hereof upon presentation and surrender of this Series 2002B Bond at the principal corporate trust office of the Trustee as Paying Agent, and the payment of interest on this Series 2002B Bond shall be payable on each Interest Payment Date by the Paying Agent during any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period, by check mailed on the date on which such interest is due to the holders of the Series 2002B Bonds as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of holders as shall appear on the registration books maintained pursuant to the Indenture. In the case of (i) Series 2002B Bonds bearing interest at a Bond Interest Term Rate, or (ii) any holder of Series 2002B Bonds bearing interest at other than a Bond Interest Term Rate in an aggregate principal amount in excess of $500,000 as shown on the registration books kept by the Bond Registrar who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or

caused to be provided wire transfer instructions to the Paying Agent, interest payable on such Series 2002B Bonds shall be paid in accordance with the wire transfer instructions provided by the holder of such Bond (or by the Remarketing Agent on behalf of such holder); *provided, however,* that during any Bond Interest Term Rate Period, interest on any Series 2002B Bond shall be payable only upon presentation and surrender of such Bond to the Tender Agent at its designated corporate trust office for delivery of Series 2002B Bonds. Payment of the principal of, Redemption Price and Sinking Fund Installments, if any of and interest on this Series 2002B Bond shall be in lawful money of the United States of America made payable to the holder upon presentment and surrender of this Series 2002B Bond at the principal corporate trust office of the Paying Agent. Notwithstanding any other provision of this Series 2002B Bond to the contrary, so long as this Series 2002B Bond shall be restricted to being registered on the registration books of the Agency maintained by the Bond Registrar in the name of the Depository for this Bond, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of payment of the principal, Purchase Price, Redemption Price, and Sinking Fund Installments, if any, of and interest on this Series 2002B Bond.

THIS SERIES 2002B BOND SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR THE CITY OF NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF NEW YORK SHALL BE LIABLE HEREON, NOR SHALL THIS SERIES 2002B BOND BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR.

This Series 2002B Bond is one of a duly authorized issue of Bonds designated as "New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy Airport Project)" (hereinafter called the "Series 2002B Bonds") issued in the aggregate principal amount of $380,000,000. The Series 2002B Bonds are being issued under and pursuant to and in full compliance with the Constitution and laws of the State of New York, particularly the New York State Industrial Development Agency Act (constituting Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the "Act") and under and pursuant to an inducement resolution adopted by the Agency on December 9, 1999, and bond resolution adopted by the Agency on October 23, 2001 as amended November 13, 2001 authorizing the issuance of the Series 2002B Bonds, and under and pursuant to the Indenture for the purpose of financing the construction, equipping, improvement and renovation of an air passenger terminal facility on the premises leased by the Lessee (the "Project Premises"), consisting of the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps, parking facilities to be located on the Project Premises and a passenger tunnel related thereto (the "Project"), all for use in providing air travel, to be located at the site of Terminals 8 and 9 at John F. Kennedy International Airport, Queens, New York (the "Airport").

The City of New York has leased the Airport, including the Project Premises, to The Port Authority of New York and New Jersey pursuant to a lease agreement dated as of April 14, 1947, as amended and supplemented (the "Basic Lease"), and The Port Authority of New York and New Jersey has subleased the Project Premises to the Lessee pursuant to an agreement of lease dated as of August 1, 1976 as amended and restated in an Agreement of Lease dated December 22, 2000, as amended (collectively the "PA Lease"). The Lessee and the Agency

have entered into a Company Sublease Agreement, dated as of July 1, 2002 (the "Company Sublease"), pursuant to which the Lessee will sub-sublease to the Agency certain real property and improvements to be made or acquired on the Project Premises (the "Leased Facilities") pursuant to the PA Lease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease to the Lessee certain Leased Facilities, and lease to the Lessee the certain systems, machinery, equipment and other tangible personal property (the "Facility Equipment") to be acquired by the Agency on behalf of the Lessee and installed as part of the Project, such improvements, machinery, equipment and tangible personalty to be financed in whole or in part with the proceeds of the Series 2002B Bonds, the Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) of the Agency and Additional Bonds issued under the Indenture. The Leased Facilities and the Facility Equipment financed in part by the Series 2002B Bonds are referred to collectively herein as the "Facility". The IDA Lease Agreement requires the payment of rentals sufficient to provide for the payment of the principal, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Series 2002B Bonds, together with certain other fees and expenses, as the same become due. Pursuant to the Indenture the Agency has the right to issue one or more Series of Additional Bonds to finance Project Costs.

Special Obligation. This Series 2002B Bond and the issue of which it is a part are special obligations of the Agency payable as to principal, redemption premium, if any, and interest solely from, and secured by a pledge of certain of, the lease rentals, revenues and receipts payable by the Lessee under the IDA Lease Agreement, the moneys and securities held in certain funds and accounts established under the Indenture (subject to disbursements therefrom in accordance with the provisions of the Indenture), a Guaranty from the Lessee to the Trustee and a Guaranty from AMR Corporation ("AMR") to the Trustee (collectively the "Guaranty"), and an Equipment Security Agreement from the Agency and the Lessee to the Trustee (the "Equipment Security Agreement"). Payments of amounts due under the Guaranty will be secured by a Leasehold Mortgage and Security Agreement from the Lessee to the Trustee and consented to by the Agency (the "Leasehold Mortgage"). Notwithstanding any other provision herein to the contrary, the Leasehold Mortgage shall not attach, and neither the Leasehold Mortgagee nor the Bondholders shall have any rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and any rights under the Leasehold Mortgage shall not be exercisable until the Reletting Rights Effective Date. In addition to the foregoing, the Series 2002B Bonds will be secured by a pledge and assignment of the Agency's non-possessory right, title and interest in and to the IDA Lease Agreement (exclusive of the Agency's Reserved Rights), as provided in the Indenture. In the event the Lessee shall fail to make any payment under the IDA Lease Agreement, or otherwise default under the IDA Lease Agreement, and the Guarantor shall fail to satisfy its obligations under the Guaranty and, as a result thereof, the principal of the Series 2002B Bonds is declared or becomes due and payable, except as provided in the Equipment Security Agreement and the Leasehold Mortgage, none of the Agency, the Trustee or any holders of Series 2002B Bonds shall have any rights or remedies with respect to the Facility and such rights and remedies shall be limited as set forth in Section 8.12 of the Indenture and in the Leasehold Mortgage. Except as provided in the Equipment Security Agreement, the Series 2002B Bonds are not secured by any lien on or security interest or other interest in the property comprising the Facility or any part thereof or by any leasehold interest of The Port Authority of New York and New Jersey, the Lessee or the Agency in the Facility.

Each Series of Bonds including the Series 2002B Bonds issued pursuant to the Indenture shall, except as provided in any Series Supplemental Indenture relating thereto, be secured on a parity basis with all other Series of Bonds, if any, issued pursuant to the Indenture without preference, priority or distinction of any Bond over any other Bonds except as provided in the Indenture.

Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the PA Lease, the Consent Agreement and upon the effectiveness thereof, the City American Lease and, except with respect to the RNDA, or except upon effectiveness of the City American Lease, the termination or expiration of the Basic Lease or the PA Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; provided however, that no such termination will relieve the Lessee from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement or release the Lessee or AMR from its guaranty obligations under the Guaranty. Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Lessee and impose upon the Lessee the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by the purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the PA Lease (including but not limited to, any rights to perform the rights or obligations of the Lessee under the PA Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the PA Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State, or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the PA Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the PA Lease, Section 92 of the PA Lease shall govern. Copies of the Indenture, the Basic Lease, the PA Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Consent Agreement are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Lessee, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the PA Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee.

Interest Rate Periods and Accrual of Interest on the Series 2002B Bonds. The term of the Series 2002B Bonds will be divided into consecutive Interest Rate Periods during each of which the Series 2002B Bonds shall bear interest at a Daily Interest Rate (a *"Daily Interest Rate Period"*), a Weekly Interest Rate (a *"Weekly Interest Rate Period"*), a Long-Term Interest Rate (a *"Long-Term Interest Rate Period"*), or Bond Interest Term Rates for one or more consecutive Bond Interest Terms (a *"Bond Interest Term Rate Period"*). The initial Interest Rate Period for this Series 2002B Bond shall be a Long-Term Interest Rate Period ending July 31, 2028. The interest rate on the Series 2002B Bonds may be adjusted from time to time from one Interest Rate Period to another and thereafter again adjusted under the circumstances described and permitted in the Second Series Supplemental Indenture. This Bond shall bear interest from and including the Interest Accrual Date (as defined in the Second Series Supplemental Indenture) immediately preceding the date of authentication hereof, or, if such a date of authentication is an Interest Accrual Date to which interest on this Series 2002B Bond has been paid in full or duly provided for, or the date of initial authentication hereof, then from the date of authentication hereof; *provided, however,* if interest on the Series 2002B Bonds shall be in default, Series 2002B Bonds issued in exchange for Series 2002B Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Bonds, or if no interest has been paid on the Series 2002B Bonds, from the date of the first authentication of Series 2002B Bonds under the Indenture.

Interest Payment Date. During any Daily Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date (as defined in the Second Series Supplemental Indenture) for the period commencing on (and including) the Interest Accrual Date in the preceding calendar month and ending on (and including) the last day in the preceding calendar month, unless the Interest Payment Date shall be the day next succeeding the last day of a Daily Interest Rate Period, in which case interest shall be payable on such Interest Payment Date for the period commencing on (and including) the Interest Accrual Date to which interest shall have been paid in full and ending on (and including) the day immediately preceding such Interest Payment Date. During any Weekly Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Wednesday because the Wednesday that would otherwise be the Interest Payment Date is not a Business Day, commencing on (and including) the second preceding Interest Accrual Date) and ending on (and including) the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of such Weekly Interest Rate Period). During any Bond Interest Term Rate Period or Long-Term Interest Rate Period, interest on this Series 2002B Bond shall be payable on each Interest Payment Date for the period commencing on (and including) the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on this Series 2002B Bond shall be payable for the final Interest Rate Period to but not including the date on which this Bond shall have been paid in full. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period, on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed.

Denominations. The Series 2002B Bonds shall be issued in the form of fully registered Bonds in the denominations of (i) $100,000 and any integral multiple of $5,000 in

excess thereof during any Long-Term Interest Rate Period when the Series 2002B Bonds shall be rated less than Baa3 by Moody's and BBB- by S&P and (ii) $5,000 and any integral multiple thereof during any Long-Term Interest Rate Period when the Series 2002B Bonds shall be rated at least Baa3 by Moody's or BBB- by S&P and (iii) $100,000 and any integral multiple of $5,000 in excess thereof during any Daily Interest Rate Period, Weekly Interest Rate Period or Bond Interest Term Rate Period (the *"Authorized Denominations"*).

No holder of a Series 2002B Bond shall be paid interest for any period at a rate higher than the "Maximum Rate," which is defined in the Second Series Supplemental Indenture as the lesser of (i) 25% per annum, (ii) with respect to Series 2002B Bonds secured by a Credit Facility, the maximum interest rate used in such Credit Facility for purposes of calculating the stated amount thereof or (iii) the maximum rate permitted by law.

Tender and Purchase

Optional Tender for Purchase of Series 2002B Bonds During a Daily Interest Rate Period or Weekly Interest Rate Period. The Series 2002B Bonds are subject to optional tender for purchase by the owner hereof during a Daily Interest Rate Period and a Weekly Interest Rate Period upon the terms and conditions set forth in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase of Series 2002B Bonds on the Day Next Succeeding the Last Day of Each Bond Interest Term During a Bond Interest Term Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the day next succeeding the last day of each Bond Interest Term for the Series 2002B Bonds, unless such day is the Maturity Date or the first day of a new Interest Rate Period.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2002B Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period, or on the day which would have been the first day of an Interest Rate Period if one of the conditions precedent to the adjustment to a new Interest Rate Period has not been met as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase upon Termination, Expiration, or Replacement of a Credit Facility. The Series 2002B Bonds are subject to mandatory tender for purchase on the fifth calendar day preceding certain events relating to the termination, expiration, or replacement of a Credit Facility then in effect then securing the Series 2002B Bonds as described in the Second Series Supplemental Indenture.

Mandatory Tender for Purchase following Event of Default Under Credit Facility Agreement. While the Series 2002B Bonds bear interest at the Daily Interest Rate or Weekly Interest Rate, the Series 2002B Bonds are subject to mandatory tender for purchase on the fifth Business Day following receipt by the Trustee of notice from the Credit Facility Provider which has issued a Credit Facility then securing the Series 2002B Bonds that an "Event of Default" has occurred under the Credit Facility Agreement relating to the Series 2002B Bonds and directing the mandatory purchase of the Series 2002B Bonds, all as provided for, and subject to the terms and provisions of, the Second Series Supplemental Indenture.

Mandatory Tender for Failure of the Credit Facility Provider to Reinstate Interest. In the event any Credit Facility shall be in effect with respect to the Series 2002B Bonds, the Series 2002B Bonds shall be subject to mandatory tender for purchase at any time, if at any time prior to the expiration or earlier termination of such Credit Facility, the Trustee shall have received prior to the fifth Business Day following a drawing under such Credit Facility to pay interest with respect to such Series of Bonds, written notice from the Credit Facility Provider that the interest component of such Credit Facility will not be reinstated.

Redemption of Series 2002B Bonds

Optional Redemption During the Daily Interest Rate Period and the Weekly Interest Rate Period. During a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2002B Bonds are subject to optional redemption in whole or in part on any date prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During a Bond Interest Term Rate Period. On the day succeeding the last day of any Bond Interest Term with respect to any Series 2002B Bond, such Series 2002B Bond shall be subject to optional redemption in whole or in part prior to maturity by the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail) at a Redemption Price equal to 100% of the unpaid principal amount of the Series 2002B Bonds to be redeemed, together with accrued interest, if any, to the date of redemption and without premium.

Optional Redemption During Initial Long-Term Interest Rate Period. The Series 2002B Bonds shall be subject to redemption in whole or in part prior to maturity on or after August 1, 2012 at the option of the Agency, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail and, if in part, the maturities to be redeemed to be selected by the Lessee or, if no such selection is made, in inverse order of maturities), from advance rental payments, upon payment in each case of the applicable redemption price (expressed as a percentage of principal amount of such Series 2002B Bonds to be redeemed), as set forth in the schedule below, together with accrued interest, if any, to the date of redemption, in the manner and subject to the provisions of the Indenture:

Redemption Periods	Redemption Prices
August 1, 2012 to July 31, 2013	101%
August 1, 2013 to July 31, 2014	100-1/2%
August 1, 2014 and thereafter	100%

Optional Redemption During a Long-Term Interest Rate Period Other Than Initial Long-Term Interest Rate Period. During any Long-Term Interest Rate Period other than the initial Long-Term Interest Rate Period, the Series 2002B Bonds shall be subject to optional redemption in whole or in part by the Agency, prior to maturity, at the direction of the Lessee (which shall be delivered to the Trustee in writing or by facsimile confirmed in writing by notice delivered by first class mail), on the first day of a Long-Term Interest Rate Period at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest, if any, to the redemption date. Thereafter, during any Long-Term Interest Rate Period, during the periods specified below (or such other periods as may be permitted in accordance with the Second Series Supplemental Indenture) the Series 2002B Bonds shall be subject to optional redemption by the Agency, at the direction of the Lessee, in whole or in part at any time, at the Redemption Prices (expressed as percentages of principal amount) hereinafter indicated (or such other Redemption Prices as may be specified in accordance with the Second Series Supplemental Indenture), plus accrued interest, if any, to the redemption date:

LENGTH OF LONG-TERM INTEREST RATE PERIOD (EXPRESSED IN YEARS)	REDEMPTION PRICES
greater than 15	after 10 years at 102%, declining by 1% every year to 100%
less than or equal to 15 and greater than 10	after 7 years at 102%, declining by 1% every year to 100%
less than or equal to 10 and greater than 7	after 5 years at 102%, declining by 1% every year to 100%
less than or equal to 7 and greater than 4	after 3 years at 101%, declining by 1% every year to 100%
less than or equal to 4	after 2 years at 100%

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002B Bonds. The Series 2002B Bonds shall be subject to extraordinary optional

redemption by the Agency, at the direction of the Lessee, in whole or in part on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Lessee shall have delivered to the Agency and the Trustee an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002B Bonds (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002B Bonds from the gross income of the holders pursuant to Section 103 of the Code, and (ii) redemption of Series 2002B Bonds in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Optional Redemption Without Premium. The Series 2002B Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Lessee of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Lessee shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Lessee with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002B Bonds shall be subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Lessee is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Lessee fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002B Bonds shall be

subject to mandatory redemption prior to maturity, as a whole only, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the PA Lease (or upon the effectiveness thereof, the City-American Lease), the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002B Bonds together with all other Bonds shall be subject to mandatory redemption in an aggregate principal amount (rounded down to the nearest Authorized Denomination of the Series 2002B Bonds) approximately equal to the Release Price. The Redemption Price of any Series 2002B Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The Series 2002B Bonds to be redeemed shall be determined by the Lessee.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority's or City's Right to Terminate the Leasehold Mortgage. The Series 2002B Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a Redemption Price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the PA Lease or as a result of the exercise by the City of any similar right it may have under the City-American Lease.

Mandatory Sinking Fund Redemption. The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines on August 1 of each year, beginning August 1, 2015, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015	$15,140,000
2016	$16,425,000
2017	$17,825,000
2018	$19,340,000
2019	$20,980,000
2020	$22,765,000
2021	$24,700,000
2022	$26,800,000
2023	$29,080,000
2024	$31,550,000
2025	$34,230,000

2026	$37,140,000
2027	$40,300,000
2028*	$43,725,000

* Final Maturity

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Lessee, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002B Bonds are subject to mandatory redemption in whole or, under certain circumstances, in part, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2002B Bonds, together with accrued interest to the date of redemption, and without premium, within ninety (90) days following receipt by the Trustee of written notice from a current or former Holder or beneficial owner of the Series 2002B Bonds or the Lessee of a Determination of Taxability. All of the Series 2002B Bonds shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002B Bonds would have the result that interest payable on the remaining Series 2002B Bonds outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any Holder or beneficial owner of a Series 2002B Bond, other than a Holder or beneficial owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code, in which case only such portion shall be redeemed.

Certain Consequences of Redemption and Defeasance. If all of the Series 2002B Bonds are redeemed as provided in any of the preceding paragraphs, then (i) the failure by the Lessee to observe or perform a covenant or agreement in the IDA Lease Agreement or (ii) the inaccuracy of any representation or warranty made by the Lessee in the IDA Lease Agreement or in the Applicable Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the Redemption Price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002B Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Lessee.

If the lien of the Indenture has been defeased with respect to the Series 2002B Bonds prior to the occurrence of an event permitting or requiring redemption of the Series 2002B Bonds, the affected Series 2002B Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance.

Partial Redemption. Except as otherwise required by the Indenture, if less than all the Series 2002B Bonds are to be called for redemption under any redemption provision set forth herein permitting such partial redemption, the particular Series 2002B Bonds to be redeemed

shall be selected in accordance with the Indenture. Notwithstanding anything in the Indenture to the contrary, if there shall have occurred and be continuing an Event of Default with respect to the Series 2002B Bonds under the Indenture, there shall be no redemption of less than all of the Series 2002B Bonds Outstanding.

Notice of Redemption or Tender. Notice of optional or mandatory redemption of the Series 2002B Bonds or any principal portion thereof, or optional or mandatory tender of the Series 2002B Bonds, shall be given as provided in the Indenture and the Second Series Supplemental Indenture.

Exchange of Bonds. The owner of this Series 2002B Bond may surrender the same at the principal corporate trust office of the Trustee (accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond, duly executed by the registered owner hereof or his duly authorized attorney in fact) in exchange for an equal aggregate unpaid principal amount of registered Series 2002B Bonds without coupons, in the manner and subject to the terms and conditions set forth in the Indenture, registered in such name or names as may be requested.

Transfer of Bonds. This Series 2002B Bond is transferable, as provided in the Indenture, only upon the registration books of the Agency kept for such purpose in the principal corporate trust office of the Bond Registrar, upon presentation hereof at such office by the registered owner or his duly authorized attorney-in-fact (with a guaranty of the signature thereon) accompanied with a written instrument of transfer in the form appearing on this Series 2002B Bond and duly executed by the registered owner or his duly authorized attorney-in-fact.

Limitation on Bondholder Enforcement Rights. The registered owner of this Series 2002B Bond shall have no right to enforce the provisions of the Indenture or to institute any action to enforce the covenants therein, or to take any action with respect to any Event of Default, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments. Modifications or alterations of the Indenture and of the other Security Documents may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified, recited and declared that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Series 2002B Bond, exist, have happened and have been performed, and that the issuance of this Series 2002B Bond and the issue of which it forms a part are within every debt and other limit prescribed by the laws of the State of New York.

Neither the members, directors, officers or agents of the Agency nor any person executing this Series 2002B Bond shall be liable personally or be subject to any personal liability or accountability by reason of the issuance hereof.

This Series 2002B Bond shall not be valid or become obligatory for any purpose nor be entitled to any security or benefit under the Indenture until this Series 2002B Bond shall have

been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, New York City Industrial Development Agency has caused this Series 2002A Bond to be executed in its name by the manual or facsimile signature of its Chairperson, Vice Chairperson, Executive Director or Deputy Executive Director and its corporate seal to be affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary, Assistant Secretary, Executive Director, Deputy Executive Director, General Counsel or Vice President for Legal Affairs, all as of the Bond Date indicated above.

NEW YORK CITY NDUSTRIAL DEVELOPMENT AGENCY

By:_____
Carolyn A. Edwards
Deputy Executive Director

(SEAL)

ATTEST:

Kei Hank
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2002B Bonds described in the within mentioned Second Series Supplemental Indenture.

The Bank of New York, as Trustee

By: Beverly Gardner
Authorized Signatory

Date of Authentication: July 31, 2002

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Name and address of Assignee)

(Social Security or other Taxpayer Identification Number of Assignee)

the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Dated:_____

Guaranty of Signature: _____

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses

already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York

City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doormart U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 350, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond

financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately

6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, **March 13, 2000**. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

NEW YORK POST

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NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
NOTICE OF PUBLIC HEARING

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions, and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, approximately shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 105 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 150,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 85,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of : an approximately 14,989 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street, including the construction thereat of an additional six floors; an approximately 57,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street; all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 63, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Woodside Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation, and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacturer and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 square foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation, for affiliate thereof, in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 805-825 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Corp. d/b/a. Doorman U.S.A., a new company to be formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 252,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 36-acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 18, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 6,000 square foot building located at 36-15 13th Street (Block 350, Lot 15); and the acquisition, redevelopment, and equipping of an approximately 2,500 square foot building at 36-11 10th Street (Block 350, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG-Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 282,297 square foot facility on an approximately 38,800 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and cowlerlens, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

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Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Ideal Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation and equipping of its current building an approximately 11,000 square foot building at 3814 15th Ave. (Block 5346, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universal Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 126 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

State of New York
COUNTY OF NEW YORK

SS:

BYRON STEVENS being duly sworn, says that he/she is the principal Clerk of the Publisher of the

New York Post

a daily newspaper of general circulation printed and published in the English language, in the County of New York, State of New York; that advertisement hereto annexed has been regularly published in the said "NEW YORK POST" once, on the 12 day of February, 2000

299613

Sworn to before me this 23 day of FEB 2000

Notary Public

DEBORAH P. ROSEN
Notary Public, State of New York
No. 01RO5023290
Qualified in Kings County
Commission Expires Jan. 31, 2002

INDUSTRIAL DEVELOPMENT AGENCY

■ PUBLIC HEARINGS

The New York City Industrial Development Agency (the "Agency") is empowered under the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law), and Chapter 1082 of the 1974 Laws of New York, as amended, to issue nonrecourse revenue bonds to provide financing for qualified projects, and to enter into industrial and small industry incentive program transactions and other straight-lease transactions for the benefit of qualified projects, and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their prosperity and standard of living. The Agency has been requested (i) to make available the proceeds of its bonds to be issued in the approximate aggregate dollar amounts, to be used by the persons, for the purposes, and at the addresses identified below, and (ii) to participate in industrial and small industry incentive program straight-lease transactions and other straight-lease transactions for the purposes and at the addresses also identified below. As used herein with reference to bond amounts, "approximately" shall be deemed to mean up to such stated bond amount or a greater principal amount not to exceed 10 % of such stated bond amount.

Approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal; the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for US Stairs Corp. d/b/a American Stairs, Inc., a manufacturer of stairs, in connection with the construction and equipping of an approximately 10,000 square foot addition to its current building of approximately 15,000 square feet that is located at 190 Highland Place, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $4,000,000 triple and double tax-exempt civic facility revenue bond transaction for the benefit of the Anti-Defamation League Foundation, Inc., a not-for-profit advocacy and social services organization, in connection with (i) the financing of expenses already incurred in connection with completed renovations and/or renovations in progress, and (ii) the financing of expenses to be incurred for additional renovations and tenant improvements. All such renovations and additional improvements, whether completed, in progress or yet to be commenced, pertain to an approximately 160,000 square foot property located upon an approximately 20,000 square foot parcel of land located at 823 United Nations Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple and double tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $8,000,000 triple tax-exempt industrial development revenue bond transaction or straight-lease (Small Industry Incentive Program) transaction for the benefit of a real estate holding company to be formed on behalf of Cardinal Industries, Inc., a manufacturer and distributor of board-games, in connection with the acquisition, renovation and equipping of an approximately 58,000 square foot building located upon an approximately 95,000 square foot parcel of land located at 30-15 48th Avenue, Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, if applicable, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $47,150,000 triple tax-exempt civic facility revenue bond transaction for the Center for Jewish History, a not-for-profit cultural and educational organization, in connection with the renovation and equipping of: an approximately 14,969 square foot building at 11 West 16th Street; an approximately 26,015 square foot building at 15 West 16th Street; an approximately 13,900 square foot building at 18 West 17th Street (including the construction thereat of an additional six floors); an approximately 37,561 square foot building at 20 West 17th Street; and an approximately 33,067 square foot building at 22 West 17th Street, all the foregoing properties being located in New York, New York (Block 818, Lots 31, 27, 61, 68, 64). The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Approximately $4,500,000 triple tax-exempt industrial development revenue bond transaction for Damascus Bakeries, Inc., a manufacturer of fresh pita bread, in connection with the construction and equipping of an approximately 20,000 square foot addition to, and renovation of, the company's current building located at 56 Gold Street, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 1 Rewe Street Realty, LLC, a real estate holding company for Foto Electric Supply Co., Inc., a wholesale distributor of consumer electronics, in connection with the construction of an approximately 28,000 square foot addition to its existing building at 1 Rewe Street, Brooklyn, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for 88th Street Properties on behalf of Glendale Architectural Wood Products, Inc., a manufacturer of custom wood furniture, in connection with the acquisition, renovation and equipping of an approximately 18,000 square foot building located at 71-08 80th Street, Glendale, Queens, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Globe Gates, Inc., a manufacture and distributor of iron gates, in connection with the acquisition, renovation and equipping of an approximately 8,000 squar foot parcel of land and an approximately 22,000 square foot building located at 405-421 Barretto Street, Bronx, New York. The financial assistance proposed to be conferre by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Industrial Incentive Program) transaction for Greenpoint Manufacturing and Design Center Local Development Corporation (or affiliate thereof), in connection with the purchase, renovation, and equipping of an approximately 80,000 square foot building on an approximately 40,000 square foot site located at 806-826 Humboldt Street a/k/a 247-65 Meserole Avenue, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Straight-lease (Small Industry Incentive Program) transaction for a real estate holding company to be determined for the benefit of Hollow Metal Factory Outlet Cor d/b/a. Doormart U.S.A., a new company to formed to distribute metal doors, in connection with the acquisition, renovation and equipping of an approximately 20,000 square foot parcel of land and an approximately 20,000 square foot building located at 57 Box Street, Brooklyn, New York. The financial assistance proposed to conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and us taxes.

Commercial straight-lease transaction for iVillage, Inc., a new media company that operates online communities targeted to a female audience, in connection with the equipping of an approximately 107,000 square foot facility located at 1440 Broadway, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Commercial straight-lease transaction for John Wiley & Sons, Inc., a publishing firm, in connection with the renovation and equipping of an approximately 292,922 square foot facility located at 330 Hudson Street, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $35,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of LAMA JFK/I Associates LLC, comprised of Leucadia JFK/I LLC, JACO JFK/I LLC, MCM JFK/I LLC and AMPORT JFK/I Corporation (formerly for the benefit of AMPORT, a division of American Port Services, Inc.), in connection with the demolition, construction, renovation, and equipping of approximately 650,000 square feet of facilities on an approximately 86 acre parcel of land located at John F. Kennedy International Airport, comprised of building 208, building 209, and Hangar 19, West Hangar Road, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Metrometer Shop, Inc., a manufacturer of parts for taxi cabs, in connection with the construction and equipping of an approximately 5,000 square foot expansion to its existing approximately 5,000 square foot building located at 36-15 13th Street (Block 360, Lot 13) and the acquisition, renovation, and equipping of an approximately 2,500 square foot building at 36-11 13th Street (Block 360, Lot 15), both in Long Island City, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $20,000,000 triple tax-exempt civic facility revenue bond transaction for MJG Nursing Home Co., Inc., a not-for-profit corporation providing skilled nursing care and related services, in connection with substantial renovations and equipping of a nine-story approximately 262,297 square foot facility on an approximately 38,600 square foot parcel of land located at 4915 10th Avenue, Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State mortgage recording taxes.

Commercial straight-lease transaction for Oxygen Media, a television and Internet production company that targets a female audience, in connection with the equipping of an approximately 40,000 square foot facility located at 75 Ninth Avenue, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Approximately $2,000,000 triple tax-exempt industrial development revenue bond transaction for Penthouse Industries, Corp., a manufacturer of bedspreads, draperies, and comforters, in connection with the purchase and renovation of an approximately 42,000 square foot building at 1852 Flushing Avenue, Ridgewood, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Approximately $5,000,000 triple tax-exempt industrial development revenue bond transaction for the benefit of a real estate holding company to be determined on behalf of Plaza Packaging Corp., a manufacturer of boxes and vacuum formed displays, in connection with the acquisition, renovation and equipping of the following: (i) an approximately 50,600 square foot building and an approximately 36,857 square foot parcel of land, both located at One Plaza Drive, Bronx, New York; (ii) an approximately 21,500 square foot building and an approximately 21,500 square foot parcel of land, both located at 21 West Clark Place, Bronx, New York; (iii) an approximately 19,000 square foot building and an approximately 19,000 square foot parcel of land, both located at 1338 Inwood Avenue, Bronx, New York; and (iv) an approximately 2,625 square foot building and an approximately 2,625 square foot parcel of land, both located at 1364 Inwood Avenue, Bronx, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing, payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Quick & Reilly/Fleet Securities Inc. for the renovation of office space located at 40 Rector Street and 26 Broadway, New York, New York (for approximately 225,000 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 40 Rector Street and 26 Broadway. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for Real Kosher Ice Cream, Inc., a distributor of wholesale kosher ice cream, in connection with the renovation, and equipping of its current building, an approximately 11,000 square foot building at 3614 15th Ave. (Block 5349, Lot 42), Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for the benefit of Royal Buses, Inc., a renovator of luxury buses, in connection with the purchase, renovation, and equipping of an approximately 27,500 square foot building and parcel of land at 95-40 Tuckerton Street (Block 10107, Lot 132), Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of The Board of Trade of the City of New York for the renovation of a backup trading floor and computer center located on the first and third floors at 23-10 43rd Avenue, Long Island City, Queens, New York (approximately 6,550 square feet); and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at 23-10 43rd Avenue. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Straight-lease (Small Industry Incentive Program) transaction for U.M.C. Moving Co., Inc. (d/b/a, variously, Universe Moving Company and/or U.M.C. Inc.), a commercial storage and office moving company, in connection with the acquisition, equipping and renovation of an approximately 5,000 square foot facility at 131 Noll Street (a/k/a 124 Forrest Street) and an approximately 22,500 square foot facility at 128 Forrest Street, both properties being located in Brooklyn, New York. The financial assistance proposed to be conferred by the Agency will consist of payments in lieu of New York City real property taxes, exemption from City and State mortgage recording taxes, and exemption from City and State sales and use taxes.

Commercial straight-lease transaction for the benefit of Zurich Reinsurance North America, Zurich Centre Group, Centre Insurance Company, Zurich Capital Markets and their affiliates for the renovation of office space located at One Chase Manhattan Plaza, New York, New York; and for the acquisition and/or leasing and installation of machinery, equipment, furniture, fixtures and other tangible personal property all for use at One Chase Manhattan Plaza, New York, New York. The financial assistance proposed to be conferred by the Agency will consist of exemption from City and State sales and use taxes.

Pursuant to Section 859a of the General Municipal Law of the State of New York and Internal Revenue Code Section 147(f), the Agency will hold a hearing on the proposed financings and transactions set forth above at the office of the New York City Industrial Development Agency, 110 William Street, 6th Floor, New York, New York commencing at 10:00 A.M. on Monday, March 13, 2000. Interested members of the public are invited to attend. The Agency will present information at such hearing on the proposed financings and transactions set forth above and provide for a question and answer period. Pursuant to subdivision 3 of the above-referenced Section 859a, the Agency will, in addition, provide an opportunity for the public to review at such hearing the project application and the cost-benefit analysis for each of the proposed financings and transactions. Persons desiring to make a brief statement regarding the proposed financings and transactions should give prior notice to the Agency at the address or phone number shown below. Written comments may be submitted to the Agency at the address shown below.

New York City Industrial Development Agency
110 William Street, 6th Floor
New York, New York 10038
(212) 619-5000

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I, Zsa Johnstone-Mosher, Paralegal, at New York City Economic Development Corporation, hereby depose and say that the notice attached hereto was taken from and published in the City Record dated March 3, 2000 , volume CXXVII, # 43

Zsa Johnstone-Mosher

State of New York)
) ss.
County of New York)

Sworn to before me this
9th day of March, 2000.

Notary Public

CAROL M. HYDE
Notary Public, State of New York
No. 4977270
Qualified in Queens County
Commission Expires Jan. 28, 2001

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PUBLIC HEARING
NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
110 WILLIAM STREET, NEW YORK, NEW YORK
MARCH 13, 2000, 10:00 A.M.

MR. MARSHALL:

"This hearing will come to order. This is a hearing on each of the proposed projects to be described in a few minutes, called by the Mayor of the City of New York and the New York City Industrial Development Agency (the "Agency") pursuant to Section 147(f) of the Internal Revenue Code and Section 859(a) of the General Municipal Law of the State of New York and pursuant to a public notice published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000.

My name is Richard Marshall, and I am Vice President for Legal Affairs at the New York City Industrial Development Agency. I have been designated to preside at these hearings.

At this time I will ask for an appearance on behalf of the Agency."

MS. JOHNSTONE-MOSHER:

"I am Zsa Johnstone-Mosher, Paralegal at the New York City Economic Development Corporation which, under contract, provides administrative and legal services to the Agency. In such connection I assist the General Counsel of the Agency."

MR. MARSHALL:

"The New York City Industrial Development Agency is empowered under the New York State Industrial Development Agency Act to issue tax-exempt, non-recourse revenue bonds to provide financing and financial assistance for industrial, manufacturing, warehousing, commercial, research and civic projects, and to enter into industrial and small industry incentive (straight-lease) transactions, also to provide financial assistance for the same projects, and thereby advance job opportunities, general prosperity and economic welfare of the people of the City of New York and to improve their prosperity and standard of living.

The Agency has been requested (i) to provide financial assistance to and to make the proceeds of its bonds available for the financing of a number of such projects, and/or (ii) to provide financial assistance through industrial and small industry incentive (straight-lease) transactions, also to a number of such projects, and our purpose at today's public hearing is to set forth information with respect to each of the projects and proposed financial assistance related thereto and to answer any questions the audience may have concerning them. In addition, at this time the Agency is providing the public with an opportunity to review the project application and the cost-benefit analysis for each of the proposed projects covered by this hearing today. Copies

of the foregoing materials will be annexed to the transcript which the Agency will prepare to record this hearing."

MS. JOHNSTONE-MOSHER:

"The published public notices of this hearing invited written comments from interested persons to be submitted to the Agency at its offices at 110 William Street, New York, New York 10038. To date, the Agency has received no written comments. The public notices also requested that any persons desiring to make a brief statement regarding any of the projects provide prior written notice thereof to the Agency. To date, the Agency has received no such notices."

MR. MARSHALL:

"A brief description of each project will be given, and anybody wishing to be heard in connection with that project should give his name and address to me and I will call upon you in the order in which your names are received. All questions or statements are to be limited to three minutes."

MS. JOHNSTONE-MOSHER:

"At this time I would like to offer copies of the Notice of Public Hearing published in the New York Post on February 12, 2000, and in the City Record on March 3, 2000, together with respective affidavits of publication.

The first project involves an approximately $1,300,000,000 triple tax-exempt special exempt facility revenue bond transaction for the benefit of American Airlines, Inc., in connection with the phased demolition of terminals 8 and 9, the demolition of existing arrival and departure ramps, the construction and equipping of an approximately 2,000,000 square foot new terminal, the construction of new arrival and departure ramps, certain costs relating to the construction of associated parking facilities, all on an approximately 108 acre parcel of land and the renovation of existing aircraft hangars on an approximately 70 acre parcel of land in the same vicinity, all located at John F. Kennedy International Airport, Jamaica, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from City and State sales and use taxes."

MR. MARSHALL:

"Has anyone registered with you to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"No one has registered to be heard in connection with this project."

MR. MARSHALL:

"Is there anyone present who has not registered who wishes to be heard in connection with this project?"

MS. JOHNSTONE-MOSHER:

"There is no one present who wishes to be heard in connection with this project."

MR. MARSHALL:

"There being no further statements or submissions, I hereby declare the hearing on the American Airlines, Inc. project to be closed."

BOND APPROVAL

I, Michael R. Bloomberg, the Mayor of The City of New York, in accordance with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and in reliance upon certain recommendations and other information submitted to me by the Chairman of the New York City Industrial Development Agency, do hereby approve the following proposed project and bond issue for the New York City Industrial Development Agency (the "Agency"):

Approximately $700,000,000 (triple tax-exempt) special facility revenue bonds (American Airlines, Inc. John F. Kennedy International Airport Project) for the benefit of American Airlines, Inc. in connection with the construction, equipping, improvement and renovation of an air passenger terminal consisting of (a) (i) the phased demolition of Terminals 8 and 9 and existing arrival and departure ramps, and (ii) the construction and equipping of an approximately 2,000,000 square foot new terminal, new arrival and departure ramps, and associated parking facilities, all on an approximately 108 acre parcel of land and (b) the renovation of existing aircraft hangers on an approximately 70 acre parcel in the vicinity of Terminals 8 and 9, all located at John F. Kennedy International Airport, Queens, New York. The financial assistance proposed to be conferred by the Agency will consist of such triple tax-exempt bond financing and exemption from New York City and New York State sales and use taxes.

MAYOR

Dated: New York, New York

February 27, 2002

WRITTEN ORDER TO AUTHENTICATE AND DELIVER BONDS

July 31, 2002

The Bank of New York,
as Trustee and Paying Agent
101 Barclay Street, Floor 21W
New York, New York 10286

Ladies and Gentlemen:

You are hereby authorized and directed, as Trustee and Paying Agent of the New York City Industrial Development Agency's Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $120,000,000 (the "Series 2002A Bonds") and the New York City Industrial Development Agency's Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $380,000,000 (the "Series 2002B Bonds"), maturing in the years and in the amounts, and bearing interest at the rates per annum, as described in Schedule A attached hereto (the "Series 2002 Bonds"), to authenticate and deliver the Series 2002 Bonds to Salomon Smith Barney Inc., as representative of itself and the other underwriters (the "Underwriter") set forth in the Bond Purchase Agreement, dated July 25, 2002, upon receipt this date by the Agency from the Underwriter of a wire in the amount of $475,974,866.67, such sum equal to the aggregate principal amount of the Series 2002A Bonds and the Series 2002B Bonds, less original issue discount of $24,891,800 and Underwriter's discount of $2,625,000, plus accrued interest of $3,491,666.67.

Very truly yours,

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY

By:_____
Carolyn A. Edwards
Deputy Executive Director

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
[Name of Issuer]

December 19, 1995
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
(Issuer)

By: Julia Binford
(Authorized Officer's Signature)

Julia Binford
Deputy Executive Director
New York City Industrial Development Agency
110 William Street
New York, New York 10038
(212) 312-3821 (Phone)
(212) 312-3915 (Fax)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: _____
(Authorized Officer's Signature)

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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 ("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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities 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 Securities; 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.

5. 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.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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 Agent, or the Issuer, 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 Issuer or the 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer 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.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

ida New York City Industrial Development Agency

July 31, 2002

American Airlines, Inc.
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Attention: Jeffrey C. Campbell
Senior Vice President and
Chief Financial Officer

Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)

Dear Sir or Madam:

Reference is made to the Master Indenture of Trust (as from time to time amended, modified and supplemented, the "Indenture"), dated as of July 1, 2002, between the New York City Industrial Development Agency (the "IDA") and The Bank of New York, as trustee (the "Trustee"), pursuant to which the IDA will issue its Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Bonds") to finance a portion of Project Costs (as such term and other terms used herein without definition are defined in the Indenture). In connection with the issuance of the Bonds, American Airlines, Inc. (together with any permitted successors and assigns in accordance with Section 6.1 of the IDA Lease Agreement, "American") and AMR Corporation ("AMR") are respectively executing the American Guaranty and the AMR Guaranty (collectively, the "Guaranty") with respect to the Bonds. As security for the obligations under the Guaranty, upon the satisfaction of certain conditions described in the PA Lease, American has agreed, pursuant to the IDA Lease Agreement, to execute and deliver to the Trustee the Leasehold Mortgage subsequent to the date hereof. In accordance with the IDA Lease Agreement, the IDA has agreed to execute the Leasehold Mortgage simultaneously with the execution thereof by American.

The New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act"), authorizes and provides for the creation of industrial development agencies in the several counties, cities, villages and towns in the State of New York. Pursuant to and in accordance with the provisions of the Enabling

• 110 William Street, New York, NY 10038 • 212. 619. 5000

Act, the IDA was established by Chapter 1082 of the 1974 Laws of New York, as amended (together with the Enabling Act, the "Act"), for the benefit of The City of New York and the inhabitants thereof.

Pursuant to the Act, the IDA is empowered to grant financial assistance with respect to projects, including exemptions from mortgage recording taxes.

To the extent and for so long as it is permitted to do so under the Act, the IDA hereby grants to American an exemption from (1) any mortgage recording tax imposed by the State of New York or any taxing authority thereof pursuant to Article 11 of the Tax Law, Chapter 62 of the Consolidated Laws of New York, as amended, or any statute enacted in substitution or replacement thereof, and (2) any mortgage recording or similar tax imposed by any political subdivision of the State of New York or taxing authority thereof, which may from time to time be imposed with respect to the recording of the Leasehold Mortgage or the recording of (a) any mortgage of American's leasehold interest under the City-American Lease which American is required to use commercially reasonable good faith efforts to execute and deliver to the Trustee pursuant to Section 6.17(j)(i) of the IDA Lease Agreement or (b) any mortgage of American's leasehold interest under a New PA Lease (as defined in Section 6.17(j)(ii) of the IDA Lease Agreement) which American is required to use commercially reasonable good faith efforts to execute and deliver to the Trustee pursuant to Section 6.17(j)(ii) of the IDA Lease Agreement, and which mortgage as described in either clause (a) or (b) is intended to secure repayment of amounts due under the Guaranty (each mortgage referred to in clauses (a) and (b) above being referred to herein as a "Replacement Mortgage").

The IDA agrees to take such action as may be reasonably necessary (including the delivery of affidavits or certificates) to evidence the exemption granted hereby to permit the recording of the Leasehold Mortgage or a Replacement Mortgage without the payment of any mortgage recording or similar tax.

Very truly yours,

NEW YORK CITY INDUSTRIAL
DEVELOPMENT AGENCY

By: _____
Title: Chairman

Acknowledged and Agreed:

AMERICAN AIRLINES, INC.

By: Leslie M Benners

Title: Leslie M. Benners
Managing Director
Corporate Finance & Banking

AMERICAN AIRLINES, INC.

SECRETARY'S CERTIFICATE

The undersigned, Charles D. MarLett, certifies that he is the Corporate Secretary of American Airlines, Inc., a Delaware corporation (the "Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Company, and with reference to the Bond Purchase Agreement (the "Bond Purchase Agreement") dated July 25, 2002 regarding the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B, among the New York City Industrial Development Agency, the Company, AMR Corporation and Salomon Smith Barney Inc., on behalf of the Underwriters (capitalized terms used herein without definition have the meanings specified in the Bond Purchase Agreement), further certifies that:

1. Attached hereto as Exhibit A is a true and complete copy of the Restated Certificate of Incorporation of the Company that is in full force and effect as of the date hereof.

2. Attached hereto as Exhibit B is a true and complete copy of the Bylaws of the Company as the same have been in effect at all times since April 2, 2002, to and including the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of Delaware as to the valid existence, good standing and franchise tax status of the Company and listing all charter documents on file as of such date.

4. Attached hereto as Exhibit D are true and correct copies of certain resolutions duly adopted by the Board of Directors of the Company at meetings of the Board of Directors duly called and held on January 17, 2001 and January 20, 1999, respectively. At each such meeting a quorum was present and acting throughout, and such resolutions are the only resolutions adopted by the Board of Directors with respect to the matters referred to therein and have not been in any way amended, annulled, rescinded or revoked and are in full force and effect.

5. Attached hereto as Exhibit E is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of New York of authority of the Company to do business in the State of New York.

6. Attached hereto as Exhibit F is a true and complete copy of the Certificate of the Corporate Secretary of the Company as to the incumbency and signature of certain officers of the Company, such certificate countersigned by another officer of the Company whose specimen signature appears therein.

WITNESS the seal of the Company and the signature of the undersigned the 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OF "AMERICAN AIRLINES, INC." AS RECEIVED AND FILED IN THIS OFFICE.

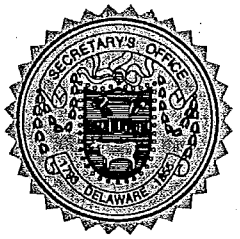
THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE EIGHTH DAY OF MARCH, A.D. 1995, AT 11:45 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE NINETEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 1999, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 1999.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8100X

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AUTHENTICATION: 1902044

DATE: 07-25-02

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:45 AM 03/08/1995
950051386 - 332421

RESTATED
CERTIFICATE OF INCORPORATION
OF
AMERICAN AIRLINES, INC.

AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is AMERICAN AIRLINES, INC. The date of filing of its original Certificate of Incorporation with the Secretary of State was April 11, 1934.
2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is not discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

FIRST: The name of the corporation is AMERICAN AIRLINES, INC.

SECOND: The principal office or place of business of the corporation in the State of Delaware is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its resident agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock that the corporation shall have authority to issue is 1,000 shares of Common Stock, par value $1.00 per share.

FIFTH: The names and places of residence of each of the original incorporators are:

Name	Address
J. Vernon Pimm	Philadelphia, Pa.
Albert G. Bauer	Philadelphia, Pa.
R. L. Spurgeon	Wilmington, Delaware

SIXTH: The corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever, and no action of the corporation shall be construed as a constructive assent to such liability.

EIGHTH: The business of the corporation shall be managed by a Board of Directors.

1. All corporate powers of the corporation shall be exercised by the Board of Directors, except as otherwise provided by law.

2. Directors need not be stockholders, nor residents of the State of Delaware.

3. The number of directors which shall constitute the whole Board shall be such as from time to time shall be fixed by, or in the manner provided in, the By-Laws, but in no case shall the number be less than three.

4. By-Laws of the corporation for the management of its property, the regulation and government of its affairs, and for the certification and transfer of its stock may originally be adopted by the incorporators. Thereafter, the directors shall have power from time to time to make, alter, or repeal By-Laws, but any By-Laws made by the Board of Directors may be altered, amended, or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment, or repeal is included in the notice of such special meeting.

5. The stockholders and directors may hold their meetings and have an office or offices outside the State of Delaware if the By-Laws so provide.

6. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors which, to the extent provided in said resolution or resolutions or in the By-Laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

7. The Board of Directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or as authorized by resolution of the Board of Directors.

8. The Board of Directors shall have power from time to time to fix the amount to be reserved by the corporation over and above its capital stock paid in and to fix and determine and to vary the amount of the working capital of the corporation, and to direct and determine the use and disposition of the working capital and of any surplus or net profits over and above the capital stock paid in.

9. At all meetings of stockholders and at all elections of directors, each holder of capital stock shall have one vote for each share of capital stock registered in his name on the books of the corporation.

10. At all meetings of the stockholders the holders of one-third of the number of shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law.

11. In so far as the same is not contrary to the laws of Delaware, no contract or other transaction between the corporation and any other corporation, association, organization, society, or person shall be affected or invalidated by the fact that any one or more of the directors of this corporation is or are a director or officer, or directors or officers, of such other corporation, association, organization, or society, or by the fact that such other corporation, association, organization, or society, is the owner or holder of any part of the capital stock of this corporation, or is interested in its property, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this corporation or in which this corporation is interested; and no contract, act, or transaction of this corporation with any person or persons, firm or corporation, association, organization, or society, shall be affected or invalidated by the fact that any director or directors of this corporation is a party or are parties to or are interested in such contract, act, or transaction, or in any way connected with such person or persons, firm, corporation, organization, association or society, and each and every person who may become a director of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation for the benefit of himself or any firm, corporation, association, organization or society, in which he may be in any wise interested.

12. Any contract, transaction or act of the corporation or of the Board of Directors which shall be ratified by a majority in interest of a quorum of the stockholders of the corporation having voting power at any annual meeting or special meeting called for such purpose shall be as valid and as binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its directors or officers, of their right to proceed with such contract, transaction or action.

NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 43 of this Chapter, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value

of the creditors or class of creditors and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ELEVENTH: No stockholder of the corporation shall have any preemptive or preferential right, nor shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of the corporation of any class, whether now or hereafter authorized, and whether issued for money or for a consideration other than money, or of any issue of securities convertible into stock.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate in the manner now or hereafter prescribed by statute; and all rights herein conferred upon the stockholders are granted subject to this reservation.

4. This Restated Certificate of Incorporation was duly adopted by unanimous written consent of the stockholders in accordance with the applicable provisions of Section 228, and 245 of the General Corporation Law of the State of Delaware and written notice of the adoption of this Restated Certificate of Incorporation has been given as provided by Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

IN WITNESS WHEREOF, said AMERICAN AIRLINES, INC. has caused this Certificate to be signed by Teri L. Teat, its Vice President and attested by Charles D. MarLett, its Corporate Secretary, this 8th day of March, 1995.

AMERICAN AIRLINES, INC.

By _____
Vice President

ATTEST:

By _____
Corporate Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 12:00 PM 11/19/1998
981445613 - 0332421

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
AMR SERVICES PROPERTY CORPORATION,
a Delaware corporation
INTO
AMERICAN AIRLINES, INC.,
a Delaware corporation
(Pursuant to Section 253 of the General Corporation Law of the State of Delaware)

American Airlines, Inc., a corporation incorporated under the General Corporation Law of the State of Delaware, does hereby certify that it owns one hundred percent (100%) of the outstanding shares of each class of capital stock of AMR Services Property Corporation, a corporation incorporated under the General Corporation Law of the State of Delaware, and that it, pursuant to resolutions of the Board of Directors of American Airlines, Inc., duly adopted at a meeting of the Board of Directors on November 18, 1998, determined to merge AMR Services Property Corporation with and into American Airlines, Inc., which resolutions are in the following words, to wit:

WHEREAS, American Airlines, Inc. ("**American**") is a corporation duly organized and validly existing under the laws of the State of Delaware; and

WHEREAS, AMR Services Property Corporation ("**AMR Property**") is a corporation duly organized and validly existing under the laws of the State of Delaware; and

WHEREAS, the members of the Board of Directors of American deem it to be in the best interests of American and AMR Property to merge AMR Property with and into American pursuant to a Plan of Merger attached hereto as Exhibit A (the "**Plan of Merger**"); now, therefore, be it

RESOLVED, that the form, terms and provisions of the Plan of Merger be, and the same hereby are, approved and adopted in all respects and that, pursuant to such Plan of Merger, AMR Property merge with and into American (the "**Merger**"), with the result that American will be the surviving corporation; and

FURTHER RESOLVED, that each outstanding share of common stock, par value $1.00 per share, of AMR Property shall be retired and cancelled without entitlement to any consideration in the Merger; and

FURTHER RESOLVED, that any officer of American be, and the same hereby is, authorized, empowered and directed, for and in the name

and on behalf of American, to execute and file the Plan of Merger and the Certificate of Ownership and Merger in the form such officer shall deem appropriate and any other certificates, articles, instruments and other documents in form and substance as such officer shall deem appropriate, all as may be required by the laws of the State of Delaware, to waive any and all conditions and to do all things necessary or helpful to carry out the purposes of the foregoing resolutions and the Plan of Merger adopted thereby, and all acts and deeds of the officers and agents of American which are consistent with the purposes and intent of the above resolutions shall be, and the same hereby are, in all respects, ratified, approved, confirmed and adopted as the acts and deeds of American.

* * * * *

IN WITNESS WHEREOF, American has caused this Certificate to be signed by its Corporate Secretary as of November 19, 1998.

By: _____
Charles D. MarLett
Corporate Secretary

EXHIBIT A

PLAN OF MERGER

This Plan of Merger (the "**Plan of Merger**"), dated as of November 19, 1998, is made and entered into by and between American Airlines, Inc., a Delaware corporation ("**American**"), and AMR Services Property Corporation, a Delaware corporation ("**AMR Property**").

RECITALS

A. American is a corporation duly organized and validly existing under the laws of the State of Delaware.

B. AMR Property is a wholly-owned subsidiary of American.

C. By an Assignment and Assumption Agreement dated November 19, 1998 (the "**Assignment Agreement**"), immediately prior to the execution of this Plan of Merger, AMR Property's affiliate, AMR Services Corporation, a Delaware corporation ("**AMR Services**"), transferred and assigned all of its rights and interests in and to that certain Love Field Terminal and Air Cargo Facility Lease and Agreement between the City of Dallas, as lessor, and Braniff Airways, Incorporated, dated as of May 1, 1967, as amended and supplemented (collectively, the "**Terminal Lease**"), to AMR Property, and AMR Property became the successor lessee under the Terminal Lease. In addition, pursuant to the Assignment Agreement, AMR Services transferred and assigned to AMR Property all of its rights and interests in and under (i) that certain Agreement and Plan of Merger (the "**Merger Agreement**"), dated as of August 26, 1997, by and among AMR Services, Dalfort Aviation Services, L.P. and Asworth Corporation (pursuant to which Dalfort Aviation Services, L.P. was merged with and into AMR Services, with AMR Services continuing as the surviving corporation) and (ii) that certain Letter Agreement, dated as of August 26, 1997, by and between AMR Services and Asworth Corporation, regarding potential challenges to the merger contemplated by the Merger Agreement.

D. Pursuant to Article XVII of the Terminal Lease, no consent or approval of the lessor under the Terminal Lease is required in connection with AMR Property's transfer and assignment of its rights and interests under the Terminal Lease pursuant to the merger contemplated hereby (the "**Merger**") and the parties have been advised that upon consummation of the Merger, AMR Services and AMR Property, as the "lessees" under the Terminal Lease immediately prior to the Merger, will be released from their obligations under the Terminal Lease.

AGREEMENT

In consideration of the promises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that AMR Property shall be merged with and into American upon the terms and conditions hereinafter set forth.

ARTICLE I

Merger

On the effective date of the Merger as provided herein (the "**Effective Date**"), AMR Property shall be merged with and into American, the separate existence of AMR Property shall cease and American (hereinafter sometimes referred to as the "**Surviving Corporation**") shall continue to exist under the name of American Airlines, Inc. by virtue of, and shall be governed by, the laws of the State of Delaware.

ARTICLE II

Certificate of Incorporation of Surviving Corporation

The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of American as in effect on the date hereof without change unless and until amended in accordance with applicable law.

ARTICLE III

Bylaws of the Surviving Corporation

The bylaws of the Surviving Corporation shall be the bylaws of American as in effect on the date hereof without change unless and until amended or repealed in accordance with applicable law.

ARTICLE IV

Effect of Merger on Stock of Constituent Corporations

On the Effective Date, each outstanding share of common stock, par value $1.00 per share, of AMR Property held by American shall be retired and cancelled without entitlement to any consideration in the Merger. The capital stock of American shall not be affected in any manner by the consummation of the Merger.

ARTICLE V

Corporate Existence, Powers and Liabilities of Surviving Corporation; Terminal Lease

5.01. On the Effective Date, the separate existence of AMR Property shall cease. AMR Property shall be merged with and into American, the Surviving Corporation, in accordance with the provisions of this Plan of Merger.

5.02. AMR Property agrees that it will execute and deliver, or cause to be executed and delivered, all such deeds, assignments and other instruments, and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all the property, rights, privileges, immunities, powers, purposes and franchises, and all and every other interest, of AMR Property and otherwise to carry out the intent and purposes of this Plan of Merger.

5.03 In connection with consummation of the Merger, and not in limitation thereof, American expressly agrees to assume fully and satisfy, pay, perform and discharge fully all of the liabilities and obligations of AMR Property under the Terminal Lease. In addition, American represents and warrants to AMR Property and AMR Services that its independent public accounts, Ernst & Young, LLP, have determined that American's net worth on the date hereof is in excess of $100 million, which, to the knowledge of American, is in excess of the net worth of the "Lessee" on the date of execution of the First Supplement to the Terminal Lease, dated November 21, 1983 (constituting part of the Terminal Lease) as referred to in the last subclause of the third sentence of Article XVII of the Terminal Lease.

ARTICLE VI

Officers and Directors of Surviving Corporation

Upon the Effective Date, the officers and directors of the Surviving Corporation shall be the officers and directors of American in office at such date, and such persons shall hold office in accordance with the bylaws of the Surviving Corporation or until their respective successors shall have been appointed or elected.

ARTICLE VII

Amendment

The Board of Directors of American may amend this Plan of Merger at any time prior to the Effective Date.

ARTICLE VIII

Termination of Merger

This Plan of Merger may be terminated and the Merger abandoned at any time prior to the filing of the Certificate of Ownership and Merger with the Secretary of State of Delaware by the consent of the Board of Directors of American.

* * * * *

IN WITNESS WHEREOF, American Airlines, Inc., pursuant to the approval and authority duly given by resolutions adopted by its Board of Directors, has caused this Plan of Merger to be executed by an authorized officer as of the day and year first above written.

AMERICAN AIRLINES, INC.

By: _____
Charles D. MarLett
Corporate Secretary

Certificate of Ownership and Merger
Merging
RENO AIR, INC., A NEVADA CORPORATION
Into
AMERICAN AIRLINES, INC., A DELAWARE CORPORATION
(Pursuant to Section 253 of the General Corporation Law of Delaware)

AMERICAN AIRLINES, INC., A DELAWARE CORPORATION, a corporation incorporated, pursuant to the provisions of the General Corporation Law of the State of Delaware does hereby certify that this corporation owns all the capital stock of RENO AIR, INC., A NEVADA CORPORATION, and that this corporation, by a resolution of its board of directors duly adopted on the 18th day of November, 1998 determined to and did merge into itself said RENO AIR, INC., A NEVADA CORPORATION which resolution is substantially in the following words to wit:

WHEREAS this corporation lawfully owns all the outstanding stock of RENO AIR, INC., A NEVADA CORPORATION, and

WHEREAS this corporation desires to merge into itself the said RENO AIR, INC., A NEVADA CORPORATION and to be possessed of all the estate, property, rights, privileges and franchises of said corporation.

WHEREAS a Plan of Merger by which Reno Air, Inc. merges into American Airlines, Inc. (the "Plan of Merger") has been duly adopted by each constituent corporation. A copy of the Plan of Merger is available without charge from American Airlines, Inc. at the address listed above.

NOW, THEREFORE, BE IT RESOLVED, that this corporation merge into itself, and it does hereby merge into itself said RENO AIR, INC., A NEVADA CORPORATION on the terms and conditions set forth in the Plan of Merger and thereby assumes all of its liabilities and obligations, and

FURTHER RESOLVED, that the president or a vice-president, and the secretary or treasurer of this corporation be and they hereby are directed to make and execute, under the corporate seal of this corporation, a certificate of ownership setting forth a copy of the resolution, to merge said RENO AIR, INC., A NEVADA CORPORATION and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of the State of Delaware,

FURTHER RESOLVED, that the merger of Reno Air, Inc. into American Airlines, Inc. shall be effective as of December 31, 1999 at 10:00 a.m., Pacific Standard Time.

FURTHER RESOLVED, that the officers of this corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger.

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STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:00 PM 12/27/1999
991561816 – 0332421

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by its authorized officer, the 20th day of December, 1999.

AMERICAN AIRLINES, INC., A DELAWARE CORPORATION

By: _____
President

AMERICAN AIRLINES, INC.

BYLAWS

(As amended April 2, 2002)

ARTICLE I

Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each

stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any

series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall be the fifteenth day following receipt of such request or such later date as may be specified by the requesting stockholder.

The date for determining whether an action has been consented to by the required number of stockholders shall be the thirty-first day after written consent forms were mailed to

stockholders or, if no such material is required to be mailed, the thirty-first day following the record date.

Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so

failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

ARTICLE III

Directors: Number, Election, Etc.

Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated

therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.

ARTICLE V

Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation

and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

ARTICLE VI

Committees

Section 1. Executive Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee, to consist of five or more members. The chief executive officer plus three other members of the executive committee shall constitute a quorum.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, with the exception of such powers and authority as may be specifically reserved to the board of directors by law or by resolution adopted by the board of directors.

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of two or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the audit committee shall constitute a quorum.

The audit committee shall from time to time review and approve the selection of independent auditors, the fees to be paid such auditors, the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be specifically delegated to the

committee by the board of directors. In this connection the audit committee shall report periodically to the board of directors and, at its request, meet with representatives of the independent auditors and with the financial officers of the corporation separately or jointly.

Section 3. Compensation/Nominating Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation/nominating committee, to consist of each member of the board of directors, except that no member of the compensation/nominating committee may be an employee or officer of the corporation. A majority of the members of the compensation/nominating committee shall constitute a quorum.

The compensation/nominating committee shall from time to time review and approve the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers, other remuneration plans such as incentive compensation, deferred compensation and stock option plans, directors' compensation and benefits and such other matters as may be specifically delegated to the committee by the board of directors.

In addition, the compensation/nominating committee shall make recommendations to the board of directors (i) concerning suitable candidates for election to the board, (ii) with respect to assignments to board committees, and (iii) with respect to promotions, changes and succession among the senior management of the corporation, and shall perform such other duties as may be specifically delegated to the committee by the board of directors.

Section 4. Diversity Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a diversity committee, to consist of three or more members. Two or more members of the committee shall constitute a quorum.

The diversity committee shall from time to time review the efforts of the Corporation

to achieve and maintain a diverse workforce. The diversity committee shall perform such other duties as may be specifically delegated to the committee by the board of directors. In furtherance of its duties, the diversity committee shall consult with the chief executive officer of the corporation and such other officers as it deems necessary and appropriate.

Section 5. Committee Procedure, Seal.

(a) The executive, compensation/nominating, audit and diversity committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The executive, compensation/nominating, audit and diversity committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence or disqualification of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

Section 6. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

ARTICLE VII

Indemnification

Section 1. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action,

suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (l) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper.

(a) Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1 hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section 1 hereof (unless ordered by a court) may be made

by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section l hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections l and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in

part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section l of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section l of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII

Officers

Section 1. General. The officers of the corporation shall be the chairman of the board, a vice-chairman, president, chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may abolish the office (except that of president, secretary and treasurer), elect an officer to fill such

vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.

ARTICLE IX

Duties of Officers

Section 1. Chairman of the Board, Vice-Chairman, President, Chief Operating Officer. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice-chairman and chief operating officer shall perform such duties as shall be assigned to each by the board of directors or the chairman of the board. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of (a) chairman of the board and president or (b) president and chief operating officer may be filled by the same individual.

Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.

assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman

of the board, the president shall assume his powers and duties while he is absent or so disabled.

ARTICLE X

Stock

Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and

accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

ARTICLE XI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and termi- nate upon the 31st day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the

board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

ARTICLE XII

Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.

Delaware

EXHIBIT C

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "AMERICAN AIRLINES, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE ELEVENTH DAY OF APRIL, A.D. 1934, AT 1 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 1934, AT 9 O'CLOCK A.M.

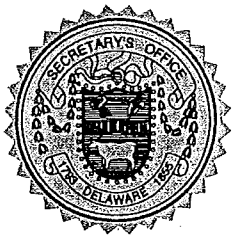
CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF MAY, A.D. 1935, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE FOURTH DAY OF MAY, A.D. 1938, AT 1 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-FOURTH DAY OF OCTOBER, A.D. 1940, AT 3 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-EIGHTH DAY OF OCTOBER, A.D. 1940, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SIXTH DAY OF DECEMBER,



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

A.D. 1944, AT 1 O'CLOCK P.M.

CERTIFICATE OF RETIREMENT, FILED THE NINETEENTH DAY OF FEBRUARY, A.D. 1945, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SECOND DAY OF APRIL, A.D. 1946, AT 11 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TENTH DAY OF JUNE, A.D. 1946, AT 11 O'CLOCK A.M.

CERTIFICATE OF CHANGE OF REGISTERED AGENT, FILED THE FIRST DAY OF DECEMBER, A.D. 1949, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE EIGHTEENTH DAY OF MAY, A.D. 1951, AT 10 O'CLOCK A.M.

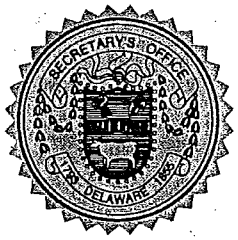
CERTIFICATE OF RETIREMENT, FILED THE SECOND DAY OF JUNE, A.D. 1967, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SECOND DAY OF JUNE, A.D. 1967, AT 4 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE EIGHTH DAY OF MARCH, A.D. 1971, AT 11 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE FIRST DAY OF APRIL, A.D. 1971, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE FIFTEENTH DAY OF



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

Delaware

The First State

MARCH, A.D. 1977, AT 8:30 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF JUNE, A.D. 1977, AT 10 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE THIRTIETH DAY OF DECEMBER, A.D. 1981, AT 10 O'CLOCK A.M.

CERTIFICATE OF MERGER, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE NINTH DAY OF JUNE, A.D. 1987, AT 10 O'CLOCK A.M.

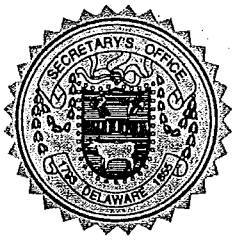
CERTIFICATE OF OWNERSHIP, FILED THE SIXTEENTH DAY OF JULY, A.D. 1987, AT 10 O'CLOCK A.M.

RESTATED CERTIFICATE, FILED THE EIGHTH DAY OF MARCH, A.D. 1995, AT 11:45 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE NINETEENTH DAY OF NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 1999, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE THIRTY-FIRST DAY OF DECEMBER, A.D. 1999.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

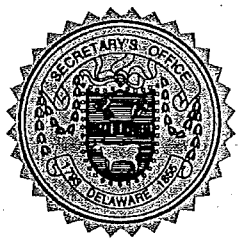
Delaware

The First State

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0332421 8310

020474497

AUTHENTICATION: 1902043

DATE: 07-25-02

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

January 17, 2001

(b). Mr. Horton explained that in 2001 the Corporation would improve its facilities at John F. Kennedy International Airport. He said that this project would be financed through tax-exempt bonds, in one or more series, which would carry either a long-term fixed interest rate not to exceed 9% (except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate. Mr. Horton also explained that the aggregate principal amount of the bonds for this project would not exceed $750 million and that the bonds would be issued for a term not to exceed 45 years.

After discussion, on motion made and seconded, the following resolutions were adopted:

RESOLVED, that the financing program involving the issuance by The New York City Industrial Development Agency or such other governmental authority authorized to issue bonds for improvements at John F. Kennedy International Airport (the "JFK Authority") of up to $750 million aggregate principal amount of tax exempt bonds (the "2001 JFK Bonds"), in one or more series, pursuant to the terms and provisions of one or more Trust Indentures by and between the JFK Authority and such institution as may be chosen to serve as Trustee for the 2001 JFK Bonds be, and it hereby is, approved;

RESOLVED, that the issuance of the 2001 JFK Bonds, which will have a term to maturity of no more than

45 years from the date of issuance and will carry either a long-term fixed interest rate (not to exceed 9%, except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate, be, and it hereby is, approved; and

RESOLVED, that the set of resolutions entitled "General Financing Resolutions" adopted by the Board of Directors on January 20, 1999, as such resolutions may be amended, be, and they hereby are, incorporated by reference in the foregoing resolutions to the extent such resolutions are, or may be, applicable to the transactions contemplated by such resolutions.

RESOLUTIONS OF JANUARY 20, 1999
ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

RESOLVED, that the following set of resolutions entitled "General Financing Resolutions" be, and they hereby are, approved and adopted, with the intention that such resolutions be incorporated by reference in the resolutions adopted in connection with, and be applicable to, any financing transaction authorized by the Board of Directors, including, without limitation, shelf registrations, offerings of common stock or preferred stock, offerings of warrants or options, offerings of debt instruments, domestic leveraged lease financings, cross-border lease financings, lease debt instruments, bank credit facilities, bank or other lending arrangements, standby credit facilities, offerings of short-term, medium-term or long-term debt instruments, long-term credit agreements, tax-exempt bond financings, and refinancings, repricings, amendments or modifications of any outstanding financing transactions (each such financing transaction for which the Board of Directors adopts the resolutions set forth below being referred to in such resolutions as a "*Financing Transaction*", and any equity or debt securities, or warrants, options or other securities, instruments, interests, or obligations issued, incurred, sold or offered by or on behalf of the Corporation, whether offered or sold publicly or privately, and whether sold in the United States, solely within one or more foreign countries, or in both the United States and one or more foreign countries, in connection with any Financing Transaction being referred to in such resolutions as "*Securities*").

GENERAL FINANCING RESOLUTIONS

Authorization to Execute and Deliver Agreements

RESOLVED, that the Chairman of the Board and Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer and the Corporate Secretary of the Corporation (and any management employee authorized in writing by one of the foregoing officers) (each, an "*Authorized Officer*") be, and each of them hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, and to deliver, all such agreements and instruments as they or any of them may deem necessary or advisable to effect any Financing Transaction or the issuance or sale of any Securities, including but not limited to one or more participation agreements, lease agreements, equipment trust agreements, trust agreements (including, without limitation, pass through trust agreements), purchase agreement assignments, tax indemnity agreements, registration statements, underwriting or other sales agreements, bond purchase agreements, distribution agreements, issuing agent, paying agent or other

agent agreements, exchange rate agreements, dealer agreements, indentures, assumption agreements, option agreements, warrant agreements, guarantees, indemnification agreements, reimbursement agreements, credit agreements, loan agreements, mortgages, security agreements, interest rate, currency, commodity or other swap agreements, refunding agreements, assignment agreements, facilities agreements, securities law undertakings, and amendments or supplements to any existing agreement or instrument, the execution of any such agreement, instrument, amendment or supplement by such person or persons being conclusive evidence of the due authorization and approval thereof by the Corporation.

Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to prepare, execute (personally or by attorney-in-fact) and file or cause to be filed with the Securities and Exchange Commission (the "*Commission*") one or more Registration Statements (each, a "*Registration Statement*") on an appropriate form, including the Prospectuses contained therein (each, a "*Prospectus*"), under the Securities Act of 1933, as amended (the "*1933 Act*"), or one or more amendments (including, without limitation, post-effective amendments) or supplements (including pricing amendments or supplements) to any Registration Statement or Prospectus previously filed under the 1933 Act, covering the offering of any of the Securities, each such Registration Statement to contain such information as may be approved by the Authorized Officer or Authorized Officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval by the Corporation of such Registration Statement, provided that a draft, which may omit exhibits, of each such Registration Statement be furnished to the Board of Directors at a meeting thereof, or be otherwise distributed to the members of the Board of Directors for review, prior to the initial filing of such Registration Statement with the Commission;

RESOLVED, that the officers and directors of the Corporation who may be required to sign and execute a Registration Statement or any amendment thereto or document in connection therewith (whether on behalf of the Corporation, or as an officer or director of the Corporation, or otherwise) be, and each of them hereby is, authorized to execute a power of attorney appointing any Authorized Officer his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity such Registration Statement and any and all amendments (including post-effective amendments) thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in the name and on behalf of each of said officers and directors who shall have executed such a power of attorney, every act whatsoever

which such attorneys, or any of them, may deem necessary or advisable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person; and

RESOLVED, that Anne H. McNamara, Senior Vice President and General Counsel of the Corporation, and John T. Curry, III, of Debevoise & Plimpton, in such instances when Debevoise & Plimpton shall act as counsel for the Corporation, be, and each of them hereby is, designated to act on behalf of the Corporation as agent for service in respect of matters relating to each Registration Statement, with all of the powers enumerated in Rule 478 of the Rules and Regulations of the Commission under the 1933 Act.

Underwriting, Distribution
or Other Sales Arrangements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to enter into such underwriting, distribution or other sales arrangements, including, without limitation, one or more underwriting, distribution or other sales agreements, fixing the sale prices and setting the underwriters', dealers' or agents' fees and other discounts and commissions relating to any of the Securities, as such person or persons may approve, the execution by such person or persons of any such underwriting, distribution or other sales agreement to be conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Indentures and Similar
Instruments Covering Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver one or more indentures, loan agreements, warrant agreements or any similar agreements (including supplements or amendments to any existing indenture, loan agreement, warrant agreement or similar agreement) governing or applying to any Securities (each such indenture or other agreement being referred to as an "*Instrument*") and any supplements or amendments thereto, covering, without limitation, all or any portion of any Securities, in such form as may be approved by the person or persons executing the same on behalf of the Corporation, the execution thereof by such person or persons to be conclusive evidence of the due authorization and approval of such Securities and such Instrument by the Corporation; and that any trustee or trustees under any such Instrument be, and each of them hereby is, requested to join with the Corporation in the execution and delivery of such Instrument.

Certificates Evidencing Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, manually or by facsimile signature, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver any certificates or other instruments evidencing any of the Securities, including without limitation one or more certificates for any Securities to be issued in global form, the execution of any such certificate or other instrument by such officer to be conclusive evidence of the due authorization and approval of such certificate or other instrument by the Corporation; and

RESOLVED, that if any officer of the Corporation signs any certificate or other instrument evidencing any Securities either manually or by facsimile signature and then ceases to be such officer before the certificate or other instrument so signed is authenticated and delivered under the applicable Instrument or disposed of by the Corporation, such certificate or other instrument shall nevertheless be valid and may be authenticated and delivered or disposed of as though the person who signed such certificate or other instrument had not ceased to be such officer of the Corporation.

Appointment of Trustees, Agents and Others

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to appoint one or more trustees (including, without limitation, co-trustees and successor trustees), issuing agents, paying agents, depositories, registrars, calculation agents, exchange rate agents and such other persons as may be deemed by the officer appointing the same to be necessary or advisable to act in accordance with any Instrument or otherwise in connection with any Financing Transaction, the appointment of any such trustee, agent or person by any such person or persons to be conclusive evidence of the due authorization and approval by the Corporation of such appointment.

Exchange Act Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute (personally or by attorney-in-fact) and file or cause to be filed with the Commission one or more registration statements on Form 8-A or any other appropriate form for the purpose of registering all or a portion of the Securities on the New York Stock Exchange, Inc. or any other national securities exchange or any automated quotation system or otherwise registering the Securities pursuant to the Securities Exchange Act of 1934, as amended, such registration statement or statements to be in such form as may be

approved by the officer or officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval of such registration statement or statements by the Corporation.

Listing on Exchange

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation, to execute, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, if requested, and file or cause to be filed with the New York Stock Exchange, Inc. or any other United States or foreign securities exchange or any automated quotation system (each, an "*Exchange*"), any and all applications, agreements or other instruments as are necessary to secure the listing or quotation on such Exchange of all or a portion of the Securities, and to enter into any and all agreements required in connection with such listing;

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized, on behalf of the Corporation, to appear before any such Exchange and to make any changes required by such Exchange in the application of the Corporation or in the Corporation's agreements with such Exchange and to enter into any and all agreements and to do any and all acts or things which any such person or persons may deem necessary or advisable to secure the listing or quotation on such Exchange of all or a portion of the Securities; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more appropriate indemnification agreements with such Exchange, as required under the rules of such Exchange, if facsimile signatures of officers of the Corporation are used on the Securities; and that the Authorized Officers be, and each of them hereby is, authorized to execute in the name of and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary and to deliver indemnification agreements in such form as may be approved by the officer executing the same, the execution of any such agreement by such officer being conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Blue Sky and Other Securities Laws

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized on behalf of the Corporation to take any and all action which they or any of them deem necessary or advisable in order to obtain a permit to issue or sell any Securities, register or qualify any Securities for issuance and sale, or to request or

obtain an exemption from registration of any of the Securities, or to register or obtain a license for the Corporation as a dealer or broker, under the securities laws of such of the states of the United States of America and of such foreign jurisdictions, including, without limitation, Canada, as such officer or officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications and exemptions to execute, adopt, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, irrevocable consents to service of process, surety bonds, powers of attorney and other papers and instruments as may be required under such laws or as may be deemed by such officer or officers to be useful or advisable to be filed thereunder, and to take any and all further action which they or any of them deem necessary or advisable in order to maintain such permits, registrations, qualifications, exemptions or licenses in effect for as long as they or any of them may deem to be in the best interests of the Corporation;

RESOLVED, that it is desirable and in the best interests of the Corporation that the Securities be qualified or registered for sale in various states and other jurisdictions; that the Authorized Officers be, and each of them hereby is, authorized to determine the states or other jurisdictions in which appropriate action shall be taken to qualify or register for sale all or such part of the Securities as any such Authorized Officer or Authorized Officers may deem advisable; that such Authorized Officer or Authorized Officers be, and each of them hereby is, authorized to perform on behalf of the Corporation any and all such acts as any or all of them may deem necessary or advisable in order to comply with the applicable laws of any such states or other jurisdictions, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such Authorized Officer or Authorized Officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall be conclusive evidence of the due authorization and approval by the Corporation of the papers and documents so executed and the actions so taken; and

RESOLVED, that the Corporation hereby approves the designation of certain underwriters, who shall be licensed California broker-dealers, as specified by any Authorized Officer or any Assistant Secretary of the Corporation, as its attorneys-in-fact for the purposes of executing and filing an application on behalf of the Corporation, under applicable provisions of the California Corporation Securities Law of 1968, for the registration, qualification or exemption of part or all of the Securities for offering and sale in the State of California.

Authorization of Hedging Transactions in
connection with Any Financing Transaction

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into any interest rate or currency hedge transaction (including, without limitation, entering into any interest or currency swap, selling short securities, purchasing listed or unlisted futures or options, purchasing interest rate caps, and paying a fee to obtain an underwriter's commitment to purchase debt on a future date at a fixed rate or at a fixed spread over a benchmark rate) in connection with any Financing Transaction, provided that the anticipated all-in cost of such Financing Transaction as hedged (including the amortized cost of the hedge transaction) does not exceed the maximum cost of such Financing Transaction stipulated in the resolutions adopted in connection therewith, and otherwise to be on such terms as may be approved by the person or persons executing on behalf of the Corporation the agreements or instruments relating to such hedge transaction, the execution thereof by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Authorization of Certain Actions in
Connection With Any Tax-Exempt Financing

RESOLVED, that in connection with the financing or refinancing of the cost of facilities and related equipment, machinery and structures of the Corporation through one or more offerings of tax-exempt bonds ("*Tax-Exempt Bonds*") issued by governmental authorities authorized to issue such bonds in the relevant locations, whether inside or outside the United States, the Authorized Officers be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect such financing or refinancing and the sale of the Tax-Exempt Bonds, including, without limitation, the entry into and delivery of the following agreements and instruments with respect to any such financing or refinancing:

(1) a guaranty of the principal of, premium, if any, and interest on any series of Tax-Exempt Bonds issued in connection with any such financing or refinancing;

(2) one or more reimbursement agreements or other arrangements in connection with the issuance of letters of credit relating to any such financing or refinancing;

(3) a bond purchase agreement or remarketing agreement among the Corporation, AMR Corporation ("*AMR*"), the issuer of such Tax-Exempt Bonds, and such underwriters or remarketing agents as may be chosen (such underwriters and

remarketing agents to be referenced, collectively, as the "*Underwriters*") relating to the purchase of such Tax-Exempt Bonds; and

(4) any other contract or agreement deemed necessary to effectuate any such financing or refinancing described above, including, without limitation, facilities agreements, deeds, equipment and facilities leases or subleases, tax compliance agreements, securities law undertakings and any agreement between the Corporation and a municipal bond insurance company or bank providing for the issuance by such insurance company or bank of, as the case may be, a policy of bond insurance or letter of credit with respect to such Tax-Exempt Bonds;

RESOLVED, that in order to further implement the foregoing resolution, the use by the Underwriters of a preliminary official statement or preliminary remarketing circular or other offering document or prospectus with respect to any such Tax-Exempt Bonds (the "*POS*"), each POS to contain such information as may be approved by an officer of the Corporation or of AMR (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation), be, and it hereby is, authorized and approved, and the use of a final official statement or remarketing circular or other offering document or prospectus relating to such Tax-Exempt Bonds, in substantially the same form as the POS, with such changes therefrom as may be approved by an officer of the Corporation or of AMR (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation) be, and it hereby is, authorized and approved; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more reimbursement agreements or other arrangements in connection with the renewal or replacement of letters of credit relating to payment of Tax-Exempt Bonds or any of the Corporation's obligations in connection therewith, such reimbursement agreements or other arrangements and letters of credit to be on such terms as may be approved by the person or persons executing such reimbursement agreements or other arrangements on behalf of the Corporation, and to enter into and deliver such other agreements and instruments as may be deemed by the person or persons executing the same on behalf of the Corporation to be necessary or advisable in connection therewith, the execution of such reimbursement agreements or other arrangements and other agreements and instruments by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Miscellaneous

RESOLVED, that any officer of the Corporation be, and hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, to deliver any and all such further documents and instruments and to do any and all such acts or things as they or any of them may deem necessary or advisable fully to carry out the intent of the foregoing resolutions and of the Financing Transaction for which such resolutions are adopted.

State of New York
Department of State

} ss:

I hereby certify, that AMERICAN AIRLINES, INC. a DELAWARE corporation, filed qualifying papers in this Department on 05/25/1934, and that a certificate of authority to do business in the State of New York was issued to it on the same day. I further certify that so far as shown by the records of this Department, such corporation is still authorized to do business under the laws of the State of New York.

***

Witness my hand and the official seal of the Department of State at the City of Albany, this 25th day of July two thousand and two.

Secretary of State

*200207260370 * 07*

AMERICAN AIRLINES, INC.

INCUMBENCY CERTIFICATE

The undersigned certifies that he is the Corporate Secretary of American Airlines, Inc. (the "Company"), and that, as such, he is authorized to execute and deliver this certificate on behalf of the Company, and further certifies that each of the following persons now is and at all times since July 17, 2002, has been a duly elected and qualified officer or management employee of the Company, holding the office (or offices) or position in the Company set forth opposite his or her name below, and the signature appearing opposite each person's name is a specimen of his or her genuine signature.

Name	Office(s) or Position	Signature
Jeffrey C. Campbell	Senior Vice President Finance and Chief Financial Officer	
Beverly K. Goulet	Vice President Corporate Development and Treasurer	
Leslie Mandeville Benners	Managing Director Corporate Finance and Banking	
James L. Fitzgerald	Managing Director Corporate Taxes	
James M. Lucas	Managing Director Senior Tax Counsel	
Anthony R. Matteo	Manager - Domestic Banking	

WITNESS the seal of the Company and the signature of the undersigned this 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

The undersigned hereby certifies that Charles D. MarLett is the Corporate Secretary of the Company and that his signature appearing above is his genuine signature.

WITNESS the signature of the undersigned this _____ day of _____, 2002.

Beverly K. Goulet
Vice President - Corporate Development
and Treasurer

CERTIFICATE PURSUANT TO BOND PURCHASE AGREEMENT

I, the undersigned, Vice President-Corporate Development and Treasurer of American Airlines, Inc. (the "Company"), do hereby make and execute this certificate pursuant to Section 9(d)(5) of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated July 25, 2002, among the New York City Industrial Development Agency, the Company, AMR Corporation and Salomon Smith Barney Inc., on behalf of the Underwriters, relating to the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B (the "Bonds"). All capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement. I do hereby certify that, to the best of my knowledge:

(a) the representations and warranties of the Company contained in Section 5 of the Bond Purchase Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof; and

(b) the Company has complied with all the terms of the Bond Purchase Agreement, the Company Sublease, the Lease Agreement, the Port Authority Lease, the ATEIL, the RNDA, the Equipment Security Agreement, the Consent to Subleases, the Company Guaranty, the Undertaking and the Tax Certificate to be complied with by it prior to or concurrent with the Closing Date.

IN WITNESS WHEREOF, the undersigned, being hereunto duly authorized, hereby executes this Certificate this July 31, 2002.

AMERICAN AIRLINES, INC.

By: Beverly Goulet

Beverly K. Goulet
Vice President-Corporate
Development and Treasurer

ERNST & YOUNG

Ernst & Young LLP
Suite 1500
2121 San Jacinto Street
Dallas, Texas 75201

Phone: (214) 969-8000
Fax: (214) 969-8587
Telex: 6710375
www.ey.com

July 31, 2002

Jeffrey C. Campbell
Senior Vice President
and Chief Financial Officer
American Airlines, Inc.
P.O. Box 619616
DFW Airport, Texas 75261-9616
and
Salomon Smith Barney Inc.
As Senior Managing Underwriter of the Several Underwriters
c/o Salomon Smith Barney Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013

Dear Sirs:

We have audited the consolidated balance sheets of AMR Corporation (AMR) as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001, and the related consolidated financial statement schedule, all included in AMR's Annual Report on Form 10-K for the year ended December 31, 2001, and the consolidated balance sheets of American Airlines, Inc. (American) as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001, and the related consolidated financial statement schedule, all included in American's Annual Report on Form 10-K for the year ended December 31, 2001, which consolidated financial statements and schedules of AMR and American are incorporated by reference in Appendix A of the Official Statement of the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A, 2002B, 2002C, and 2002D. Our reports with respect thereto are also incorporated by reference in Appendix A to the Official Statement. This Official Statement, dated July 25, 2002, is herein referred to as the "Official Statement."

We are independent auditors with respect to AMR and American under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, and its interpretations and rulings.

We have not audited any financial statements of AMR or American as of any date or for any period subsequent to December 31, 2001. The purpose (and therefore the scope) of our audits for the year ended December 31, 2001, was to enable us to express our opinion on the consolidated financial statements of AMR or American as of December 31, 2001, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited condensed consolidated balance sheets of AMR or American as of March 31, 2002 and June 30, 2002, the unaudited consolidated statements of operations of AMR or American for the three-month periods ended March 31, 2002 and 2001 and the three and six-month periods ended June 30, 2002 and 2001, and the unaudited condensed consolidated statements of cash flows for AMR or American for the three-month periods ended March 31, 2002 and 2001 and the six-month periods ended June 30, 2002 and 2001, all included in AMR's or American's Quarterly Report on Form 10-Q for the quarters ended March 31, 2002 or June 30, 2002, and incorporated by reference in Appendix A to the Official Statement, or the financial position, results of operations, or cash flows of AMR or American as of any date or for any period subsequent to December 31, 2001.

1. At your request, we have read the 2002 minutes of meetings of the Board of Directors of AMR, the Audit, Compensation / Nominating and Diversity Committees of the Board of Directors of AMR; the Board of Directors of American; the stockholders of AMR; and the consent of the sole stockholder of American, as set forth in the minutes book through July 26, 2002, officials of AMR and American having advised us that the minutes of all such meetings through that date were set forth therein, except for the minutes of the meetings of the Board of Directors of AMR and the Board of Directors of American on July 17, 2002 and the meetings of the Audit, Compensation / Nominating and Diversity Committees of the Board of Directors of AMR on July 16, 2002 for which minutes have not been prepared, but as to which we have inquired of officials of AMR and American as to the actions taken at such meetings, and we have carried out other procedures to July 26, 2002, as follows (our work did not extend to the period from July 27, 2002 to July 31, 2002, inclusive):

    a. With respect to the three-month periods ended March 31, 2002 and 2001, and the three and six-month periods ended June 30, 2002 and 2001 we have:

        (i) Read the unaudited condensed consolidated balance sheets of AMR and American as of March 31, 2002 and June 30, 2002, the unaudited consolidated statement of operations of AMR and American for the three-month periods ended March 31, 2002 and 2001 and the three and six-month periods ended June 30, 2002 and 2001, and the unaudited condensed consolidated statements of cash flows of AMR and American for the three-month periods ended March 31, 2002 and 2001 and the six-month periods ended June

30, 2002 and 2001, all included in AMR's or American's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 or June 30, 2002, and incorporated by reference in Appendix A to the Official Statement. Officials of AMR and American have advised us that no condensed consolidated financial statements as of any date or for any period subsequent to June 30, 2002, are available.

(ii) Inquired of certain officials of AMR and American who have responsibility for financial and accounting matters as to whether the unaudited condensed consolidated financial statements referred to in 1.a(i) are in conformity with accounting principles generally accepted in the United States applied on a consistent basis with that of the audited consolidated financial statements incorporated by reference in Appendix A to the Official Statement. Those officials stated that the unaudited condensed consolidated financial statements referred to above are in conformity with accounting principles generally accepted in the United States applied on a consistent basis with that of the audited consolidated financial statements incorporated by reference in Appendix A to the Official Statement, except that on January 1, 2002 AMR and American adopted Statement on Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* as discussed in footnote 7 to the March 31, 2002 and June 30, 2002 unaudited condensed consolidated financial statements of AMR and American incorporated by reference in Appendix A to the Official Statement.

b. As indicated in 1.a.(i) above, no condensed consolidated financial statements as of any date or for any period subsequent to June 30, 2002, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after June 30, 2002, have, of necessity, been even more limited than those with respect to the periods referred to above. We have inquired of certain officials of AMR and American who have responsibility for financial and accounting matters whether (i) at July 26, 2002, there was any change in the consolidated capital stock, increase in consolidated long-term debt, or decrease in consolidated net current assets or consolidated stockholders' equity of AMR as compared with amounts shown in AMR's June 30, 2002 unaudited condensed consolidated balance sheet incorporated by reference in Appendix A to the Official Statement; (ii) at July 26, 2002, there was any change in the consolidated capital stock, increase in consolidated long-term debt, or decrease in consolidated net current assets or consolidated stockholder's equity of American as compared with amounts shown in American's June 30, 2002 unaudited condensed consolidated balance sheet incorporated by reference in Appendix A to the Official Statement; (iii) for the period from July 1, 2002 to July 26, 2002, there were any decreases, as compared with

the corresponding period in the preceding year, in consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, consolidated net earnings (loss), or per share amounts of consolidated net earnings (loss) of AMR; and (iv) for the period from July 1, 2002 to July 26, 2002, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, or consolidated net earnings (loss) of American. Those officials stated that the changes, increases or decreases are as disclosed in Exhibit A to this letter. A statement of operations decrease is defined as: (a) a reduction in revenue, income, or earnings from the corresponding period in the preceding year; or (b) an increase in a loss amount from the corresponding period in the preceding year.

2. At your request, we have performed additional procedures on the items identified by you on the attached copies of certain pages of: (i) AMR's Annual Report on Form 10-K for the year ended December 31, 2001; (ii) American's Annual Report on Form 10-K for the year ended December 31, 2001; (iii) AMR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002; (iv) American's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002; (v) AMR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002; and (vi) American's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, (all of which are incorporated by reference in Appendix A to the Official Statement, and attached as Exhibits B, C, D, E, F, and G to this letter), and have performed the following procedures which were applied with respect to the symbols explained below.

   Agreed-upon procedures performed:

   (A) We compared or recomputed the dollar or other amounts with or from the appropriate amounts appearing in AMR or American's audited consolidated financial statements for the year ended December 31, 2001, incorporated by reference in Appendix A to the Official Statement, or AMR or American's audited consolidated financial statements included in their Annual Reports on Form 10-K for the years ended December 31, 1999 or 1997, to the extent such amounts are included in or can be derived from such statements.

   (B) We compared or recomputed the dollar or other amounts with or from the appropriate amounts appearing in AMR's or American's unaudited condensed consolidated financial statements for the quarters ended March 31, 2002 or June 30, 2002, incorporated by reference in Appendix A to the Official Statement, to the extent such amounts are included in or can be derived from such statements.

(C) We compared or recomputed the dollar or other amounts not derived directly from the financial statements referred to in (A) or (B) above with or from the appropriate amounts appearing in the general ledger or accounting records of AMR or American, to the extent such amounts could be compared with or recomputed from amounts in the general ledger or accounting records of AMR or American.

(D) We compared or recomputed the amounts not derived directly from the financial statements, general ledger or accounting records referred to in (A), (B), and (C) above with or from amounts in schedules prepared by AMR or American.

(E) We proved the arithmetic accuracy of the amounts, percentages, and ratios by using amounts in the above-mentioned financial statements, general ledgers, accounting records, and/or schedules.

(F) We compared the amount to the amount recorded in AMR's general ledger for AMR's employee home computer program noting the amount per the general ledger was $61 million.

(G) We recomputed the portion of rental expense representative of the interest factor utilizing the Company's assumption regarding the percentage of rental expense representative of the interest factor. We compared such amounts used in the calculation with the appropriate amounts appearing in the general ledger or accounting records of AMR or American. We do not comment on the appropriateness of the percentage of rental expense assumed to be representative of the interest factor or the manner in which it has been calculated.

3. In all instances described in paragraph 2. above, except as noted otherwise: (i) amounts, percentages, and ratios compared were found to be in agreement, after giving consideration to rounding or truncating; (ii) amounts, percentages, and ratios recomputed were compared with the corresponding amounts and percentages in the referenced documents and were found to be in agreement, after giving consideration to rounding or truncating; and (iii) with respect to the schedules prepared by AMR or American, the relevant mathematical computations were recomputed and such amounts were in agreement with the corresponding amounts on such schedules prepared by AMR or American, after giving consideration to rounding and truncating.

4. Our audits of the consolidated financial statements of AMR and American for the periods referred to in the introductory paragraph of this letter comprised of audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.

5. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1. through 3. above; rather, the procedures enumerated therein are those the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts, percentages, or ratios referred to in paragraph 2. above and set forth or incorporated by reference in Appendix A to the Official Statement. Further, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statements of AMR or American taken as a whole.

6. The foregoing procedures do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States. Had we performed additional procedures or had we conducted an audit or review of AMR or American's March 31, 2002 and 2001, or June 30, 2002 and 2001 condensed consolidated financial statements in accordance with standards established by the American Institute of Certified Public Accountants, other matters might have come to our attention that would have been reported to you.

7. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.

8. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the offering document or any other document, except that reference may be made to it in the bond purchase agreement or any list of closing documents pertaining to the offering of the securities covered by the Official Statement.

9. We have no responsibility to update this letter for events and circumstances occurring after July 26, 2002.

Very truly yours,

Ernst & Young LLP

EXHIBIT A ATTACHED TO ERNST & YOUNG'S
LETTER TO AMERICAN AIRLINES, INC. AND THE UNDERWRITERS
DATED July 31, 2002

AMR Corporation

We have been informed by officials of AMR that consolidated long-term debt is expected to increase, and consolidated net current assets and consolidated stockholders' equity are expected to decrease from June 30, 2002 to July 26, 2002.

We have been informed by officials of AMR that consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, consolidated net earnings (loss), and per share amounts of consolidated net earnings (loss) of AMR are expected to decrease for the period July 1, 2002 through July 26, 2002 as compared with the corresponding period in the preceding year.

American Airlines, Inc.

We have been informed by officials of American that consolidated net current assets and consolidated stockholder's equity are expected to decrease from June 30, 2002 to July 26, 2002.

We have been informed by officials of American that consolidated total operating revenues, consolidated operating income (loss), consolidated income (loss) before income taxes, and consolidated net earnings (loss) are expected to decrease for the period July 1, 2002 through July 26, 2002 as compared with the corresponding period in the preceding year.

Exhibit B

PART I

ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's operations fall almost entirely in the airline industry. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world. At the end of 2001, American provided scheduled jet service to more than 161 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system.

In addition, AMR Eagle Holding Corporation (AMR Eagle), a wholly-owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle" -- American Eagle Airlines, Inc. and Executive Airlines, Inc. (Executive). These two American Eagle carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

AMR Investment Services, Inc., a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of AMR's defined benefit and defined contribution plans, as well as its short-term investments. It serves as manager of the American AAdvantage Funds, a family of mutual funds with both institutional and retail shareholders, and provides customized fixed income portfolio management services. As of December 31, 2001, AMR Investment Services was responsible for management of approximately $29.9 billion in assets, including direct management of approximately $17.8 billion in short-term fixed income investments.

Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares A of Sabre Holdings Corporation (Sabre) Class A Common Stock for each share of AMR stock owned by AMR's shareholders, thus distributing its entire ownership interest in Sabre. As such, Sabre has been treated as a discontinued operation in Item 6 – Selected Consolidated Financial Data, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 – Consolidated Financial Statements. In addition, the discussion in the Other Items of this Form 10-K relates primarily to American and AMR Eagle.

On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines (United) aircraft were also hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

A

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Act), which for all U.S. airlines and air cargo carriers (collectively, air carriers) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the attacks, of which the Company has received approximately $728 million as of December 31, 2001 and expects to receive additional payments in 2002 aggregating approximately $128 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expires 180 days after the enactment of the Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier.

On November 12, 2001, American Airlines Flight 587 crashed shortly after take-off from John F. Kennedy International Airport en route to Santo Domingo in the Dominican Republic. In addition to the loss of life on board the aircraft, there were several fatalities and injuries to persons on the ground as well as property damage. The National Transportation Safety Board is currently investigating the accident; a cause has yet to be determined. As a result of the accident, claims have been made against American. It is anticipated these claims will be covered under American's insurance policies.

Competition

Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United also have hub operations at DFW and Chicago O'Hare, respectively.

The American Eagle carriers increase the number of markets the Company serves by providing connections to American at American's hubs and certain other major airports. The American Eagle carriers serve smaller markets through Boston, DFW, Chicago, Miami, San Juan, Los Angeles and New York's LaGuardia and John F. Kennedy International Airports. In addition, American contracts with three independently owned regional airlines which do business as the "American Connection" to provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide similar services at their major hubs.

In addition to its extensive domestic service, the Company provides international service to the Caribbean, the Bahamas, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 28 percent, 30 percent and 29 percent of the Company's total operating revenues in 2001, 2000 and 1999, respectively. Additional information about the Company's foreign operations is included in Note 15 to the consolidated financial statements.

E

Also in 1999, the Company entered a plea agreement with the U.S. Government with respect to a one count indictment relating to the storage of hazardous materials. As part of the plea agreement, the Company was placed on probation for three years and has adopted a comprehensive compliance program. To the extent the Company fails to abide by the terms of the probation or its compliance program, the Company's operations may be adversely impacted.

American and Executive, along with other tenants at the Luis Muñoz Marin International Airport in San Juan, Puerto Rico, have been named as PRPs for environmental claims at the airport.

American Eagle Airlines, Inc. has been notified of its potential liability under New York law at an inactive hazardous waste site in Poughkeepsie, New York.

The Company does not expect these matters, individually or collectively, to have a material impact on its financial condition, results of operations or cash flows.

Labor

E

The airline business is labor intensive. Wages, salaries and benefits represented approximately 37 percent of AMR's consolidated operating expenses for the year ended December 31, 2001.

The majority of the Company's employees are represented by labor unions and covered by collective bargaining agreements. The Company's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among the Company and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. If no agreement is reached in mediation, the NMB may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of workers to replace strikers.

American reached a new contract with the Association of Professional Flight Attendants (APFA) during 2001. The new contract becomes amendable on November 30, 2004.

American reached new agreements with the Transport Workers Union (TWU) during 2001 concerning the eight employee groups represented by the TWU. The new agreements become amendable on March 1, 2004.

In 2001, American commenced negotiations with the Allied Pilots Association (APA). The APA agreement became amendable August 31, 2001.

In addition, a provision under the current APA contract further limits the number of available seat miles (ASMs) and block hours flown by American's regional carriers when pilots from American are on furlough. American Eagle continues to accept previously ordered regional jets. This will cause the ASM cap to be reached in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Towards that end, American Eagle is reducing the number of ASMs flown by its carriers, including, but not limited to: (i) removal of seats from its Saab and ATR aircraft, (ii) reduction in the number of turboprop aircraft, and (iii) reducing the frequency and/or withdrawing from several routes across its network. American Eagle will continue to evaluate a number of potential alternatives involving the carrier's Miami operations and Executive, which range from changing its codeshare agreement with American to the potential sale of some or all of these assets.

The Air Line Pilots Association (ALPA), which represents American Eagle pilots, reached agreement with American Eagle effective September 1, 1997, to have all of the pilots of the Eagle carriers covered by a single collective bargaining agreement. This agreement lasts until October 31, 2013. The agreement provides to the parties the right to seek limited changes in 2000, 2004, 2008 and 2012. If the parties are unable to agree on the limited changes, they also agreed that the issues would be resolved by interest arbitration, without the exercise of self-help (such as a strike). ALPA and American Eagle negotiated a tentative agreement in 2000, but that agreement failed in ratification. Thereafter, the parties participated in interest arbitration. The interest arbitration panel determined the limited changes which should be made and these changes were appropriately effected.

The Association of Flight Attendants (AFA), which represents the flight attendants of the Eagle carriers, reached agreement with American Eagle effective March 2, 1998, to have all flight attendants of the American Eagle carriers covered by a single contract. The agreement became amendable on September 2, 2001. However, the parties agreed to commence negotiations over amendments to the agreement in March 2001. The parties are still engaged in direct negotiations. The other union employees at the American Eagle carriers are covered by separate agreements with the TWU which were effective April 28, 1998, and are amendable April 28, 2003.

The portions of the Company's work force which are non-union have already largely incorporated their counterparts from TWA. With respect to the integration of the unionized portions of the work forces at American and TWA, the Company engaged facilitators to work with American's and TWA's unions in attempting to achieve integration agreements acceptable to all unions. Unfortunately, these discussions were unable to produce agreements acceptable to both unions as to each class or craft. American later reached integration agreements with the APA (with respect to pilot integration issues) and the APFA (with respect to flight attendant integration issues). Discussions with the TWU did not result in an agreement on integration of the eight work groups represented at American by the TWU. However, American and the TWU will be participating in arbitration with respect to certain integration issues in late February and early March 2002. The International Association of Machinists, which represents certain work groups at TWA, will be participating as well. The details of the arbitration agreement are still being worked out. Currently, the NMB is considering a petition asking that it declare American and TWA a single carrier for labor relations purposes and the representation effects of such a ruling (a single carrier ruling is believed likely to occur). It is expected that the NMB will most likely designate American's incumbent unions as the collective bargaining representatives of the combined work groups once a single carrier is found to exist. The integration of the unionized work groups will thereafter follow in a schedule worked out between American and the relevant unions.

Fuel

The Company's operations are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 1999 through 2001 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Average Cost Per Gallon, Excluding Fuel Taxes (in cents)	Percent of AMR's Operating Expenses
1999	3,084	$ 1,696	55.0	50.4	10.2
2000	3,197	2,495	78.1	72.8	13.6
2001	3,461	2,888 *	81.4 *	76.4 *	13.5

* The amounts for 2001 reflect the January 1, 2001 adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133); the 2000 and 1999 amounts do not. See a further discussion of the impact of SFAS 133 to the Company in Note 8 to the consolidated financial statements.

A E

The impact of fuel price changes on the Company and its competitors is dependent upon various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices, which has had the effect of reducing the Company's average cost per gallon. During 2001 and 2000, the Company's fuel hedging program reduced the Company's fuel expense by approximately $29 million and $545 million, respectively. To reduce the impact of potential fuel price increases in 2002, as of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements. Based on projected fuel usage, the Company estimates that a 10 percent increase in the price per gallon of fuel would result in an increase to aircraft fuel expense of approximately $169 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001. Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, any potential benefit of lower fuel prices may be offset by increased fare competition and lower revenues for all air carriers.

While the Company does not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there was an outbreak of hostilities or other conflicts in oil producing areas, there could be reductions in the production and/or importation of crude oil. If there were major reductions in the availability of jet fuel, the Company's business would be adversely affected.

Additional information regarding the Company's fuel program is included in Item 7(A) – Quantitative and Qualitative Disclosures about Market Risk and in Note 8 to the consolidated financial statements.

Frequent Flyer Program

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits and related services to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time without notice. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months' notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one year after issuance. Most travel awards are subject to capacity controlled seating. In 1999, certain changes were made to the AAdvantage program so that miles do not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American utilizes the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and such award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. These estimates are based upon the Company's 12-month historical average of such costs. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs.

Revenue earned from selling AAdvantage miles to other companies participating in American's frequent flyer program is recognized in two components. The first component represents the revenue for air transportation sold and is valued at current market rates. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized immediately.

In conjunction with the acquisition of TWA's assets (see Note 3 to the consolidated financial statements), members of TWA's Aviators frequent flyer program (Aviators) were eligible to transfer the unused mileage balances in their Aviators account to the AAdvantage program. As part of the purchase price allocation of TWA, the Company established a liability related to the incremental cost of the unused mileage balances in the Aviator's program. Effective November 30, 2001, Aviator's was discontinued and its members have until November 30, 2002 to exchange their Aviators' miles for AAdvantage miles. The Company does not expect the future transfer of Aviators' miles into the AAdvantage program to be material.

At December 31, 2001 and 2000, American estimated that approximately 8.7 million and 6.5 million free travel awards, respectively, were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, American has included the Aviators' miles and excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which are not expected to ever be redeemed for free travel on American. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel on American or other participating airlines and deferred revenues for mileage credits sold to others participating in the program was approximately $1.1 billion and $976 million, representing 14.9 percent and 14.0 percent of AMR's total current liabilities, at December 31, 2001 and 2000, respectively.

The estimated number of free travel awards used for travel on American and American Eagle (excluding TWA) was 2.7 million in 2001, 2.8 million in 2000 and 2.7 million in 1999, representing approximately 7.4 percent of total passengers boarded in 2001, 7 percent in 2000 and 8 percent in 1999 (excluding TWA). The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

Other Matters

Seasonality and Other Factors The Company's results of operations for any interim period are not necessarily indicative of those for the entire year, since the air transportation business is subject to seasonal fluctuations. Higher demand for air travel has traditionally resulted in more favorable operating results for the second and third quarters of the year than for the first and fourth quarters.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fare initiatives, fluctuations in fuel prices, labor actions and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 2001 is included in Note 16 to the consolidated financial statements.

No material part of the business of AMR and its subsidiaries is dependent upon a single customer or very few customers. Consequently, the loss of the Company's largest few customers would not have a materially adverse effect upon the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange (symbol AMR). The approximate number of record holders of the Company's common stock at February 20, 2002 was 13,700.

The range of closing market prices for AMR's common stock on the New York Stock Exchange was:

	2001		2000	
	High	Low	High	Low
Quarter Ended				
March 31	$ 43 3/4	$ 31 1/16	$ 67 3/8	$ 30
June 30	39 3/8	33 1/4	37 7/8	26 7/16
September 30	37 15/16	17 7/8	34 11/16	26 1/8
December 31	23 5/16	16 1/2	39 3/16	27 15/16

Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Class A common stock for each share of AMR stock owned by AMR's shareholders. As a result of the dividend, AMR's stock price was adjusted from $60 9/16 to $25 9/16 by the New York Stock Exchange after the market close on March 15, 2000 to exclude the value of Sabre. The pre-March 15, 2000 stock prices in the above table have not been adjusted to give effect to this distribution.

No cash dividends on common stock were declared for any period during 2001 or 2000. Payment of dividends is subject to various restrictions described in Note 7 to the consolidated financial statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(in millions, except per share amounts)

	2001 [1,2]	2000	1999	1998 [3]	1997 [3]
Total operating revenues	$ 18,963	$ 19,703	$ 17,730	$ 17,516	$ 16,957
Operating income (loss)	(2,470)	1,381	1,156	1,988	1,595
Income (loss) from continuing operations before extraordinary loss	(1,762)	779	656	1,114	809
Net earnings (loss)	(1,762)	813	985	1,314	985
Earnings (loss) per share from continuing operations before extraordinary loss: [4]					
Basic	(11.43)	5.20	4.30	6.60	4.54
Diluted	(11.43)	4.81	4.17	6.38	4.43
Net earnings (loss) per share: [4]					
Basic	(11.43)	5.43	6.46	7.78	5.52
Diluted	(11.43)	5.03	6.26	7.52	5.39
Total assets	32,841	26,213	24,374	21,455	20,287
Long-term debt, less current maturities	8,310	4,151	4,078	2,436	2,248
Obligations under capital leases, less current obligations	1,524	1,323	1,611	1,764	1,629
Obligation for postretirement benefits	2,538	1,706	1,669	1,598	1,527

1 On April 9, 2001, American purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the 2001 financial information above includes the operating results of TWA since the date of acquisition. See a further discussion of the TWA acquisition in Note 3 to the consolidated financial statements.

2 Includes the second quarter asset impairment charge, the impact of the September 11, 2001 terrorist attacks and $856 million of U.S. Government grant. For a further discussion of these items, see Note 2 to the consolidated financial statements.

3 Restated to reflect discontinued operations.

4 The earnings per share amounts reflect the stock split on June 9, 1998.

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No cash dividends were declared on common shares during any of the periods above.

Information on the comparability of results is included in Management's Discussion and Analysis and the notes to the consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA since the date of acquisition have been included in the accompanying consolidated financial statements for the year ended December 31, 2001 (see Note 3 to the consolidated financial statements). American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world. AMR's operations fall almost entirely in the airline industry.

Results of Operations

AMR's net loss in 2001 was $1.8 billion, or $11.43 loss per share. AMR's net earnings in 2000 were $813 million, or $5.43 per share ($5.03 diluted). On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft were also hijacked and used in terrorist attacks. In response to the terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. Somewhat offsetting the impact of the September 11 events, the Company recorded $856 million in reimbursement from the U.S. Government under the Air Transportation Safety and System Stabilization Act (the Act) (see Note 2 to the consolidated financial statements).

Revenues

2001 Compared to 2000 The Company's 2001 revenues, yield, revenue passenger miles (RPMs) and available seat miles (ASMs) were severely impacted by the September 11, 2001 terrorist attacks, the Company's reduced operating schedule, a worsening of the U.S. economy that had already been dampening the demand for travel both domestically and internationally prior to the September 11, 2001 events, business travel declines as a result of the September 11, 2001 attacks, and increased fare sale activity occurring subsequent to the September 11 attacks to encourage passengers to resume flying. The Company's revenues decreased approximately $740 million, or 3.8 percent, versus 2000. However, excluding TWA's revenues for the period April 10, 2001 through December 31, 2001, the Company's revenues would have decreased approximately $2.6 billion versus 2000.

For comparability purposes, the following discussion does not combine American's and TWA's results of operations or related statistics for 2001. American's passenger revenues decreased by 14 percent, or $2.3 billion. In 2001, American derived approximately 68 percent of its passenger revenues from domestic operations and approximately 32 percent from international operations. American's domestic revenue per available seat mile (RASM) decreased 11.3 percent, to 9.28 cents, on a capacity decrease of 5 percent, or 104 billion ASMs. International RASM decreased to 9.07 cents, or 5.2 percent, on a capacity decrease of 4.9 percent. The decrease in international RASM was led by an 11.8 percent and 10.8 percent decrease in Pacific and European RASM, respectively, slightly offset by a 0.9 percent increase in Latin American RASM. The decrease in international capacity was driven by a 6.5 percent and 4.7 percent reduction in Latin American and European ASMs, respectively, partially offset by an increase in Pacific capacity of 2.8 percent.

TWA's passenger revenues were approximately $1.7 billion for the period April 10, 2001 through December 31, 2001. TWA's RASM was 7.74 cents on capacity of 21.7 billion ASMs.

AMR Eagle's passenger revenues decreased $74 million, or 5.1 percent. AMR Eagle's traffic remained flat compared to 2000, at 3.7 billion RPMs, while capacity increased to 6.5 billion ASMs, or 3.4 percent. Similar to American, the decrease in AMR Eagle's revenues was due primarily to the September 11, 2001 terrorist attacks and a worsening of the U.S. economy that had already been dampening the demand for air travel prior to that date.

Cargo revenues decreased 8.2 percent, or $59 million, for the same reasons as noted above.

2000 Compared to 1999 The Company's revenues increased approximately $2.0 billion, or 11.1 percent, versus 1999. American's passenger revenues increased by 11.3 percent, or $1.7 billion. The increase in revenues was due primarily to a strong U.S. economy, which led to strong demand for air travel both domestically and internationally, a favorable pricing climate, the impact of a domestic fuel surcharge implemented in January 2000 and increased in September 2000, a labor disruption at one of the Company's competitors which positively impacted the Company's revenues by approximately $80 to $100 million, and a schedule disruption which negatively impacted the Company's operations in 1999. In 2000, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations.

American's domestic RASM increased 12.4 percent, to 10.42 cents, on a capacity decrease of 1.6 percent, or 109.5 billion ASMs. The decrease in domestic capacity was due primarily to the Company's More Room Throughout Coach program. International RASM increased to 9.64 cents, or 10.7 percent, on a capacity increase of 3.2 percent. The increase in international RASM was led by a 16.5 percent, 13.4 percent and 7.8 percent increase in Pacific, European and Latin American RASM, respectively. The increase in international capacity was driven by a 6.6 percent, 2.7 percent and 0.5 percent increase in European, Pacific and Latin American ASMs, respectively.

AMR Eagle's passenger revenues increased $158 million, or 12.2 percent. AMR Eagle's traffic increased to 3.7 billion RPMs, up 10.7 percent, while capacity increased to 6.3 billion ASMs, or 10.9 percent. The increase in revenues was due primarily to growth in AMR Eagle capacity aided by a strong U.S. economy, which led to strong demand for air travel, and a favorable pricing environment.

Cargo revenues increased 12.1 percent, or $78 million, due primarily to a fuel surcharge implemented in February 2000 and increased in October 2000, and the increase in cargo capacity from the addition of 16 Boeing 777-200ER aircraft in 2000.

OPERATING EXPENSES

2001 Compared to 2000 The Company's operating expenses increased 17 percent, or approximately $3.1 billion. However, excluding TWA's expenses for the period April 10, 2001 through December 31, 2001, the Company's expenses would have increased approximately $888 million versus 2000. In addition to the specific explanations provided below, the significant decline in passenger traffic resulting from the terrorist acts of September 11, 2001 and resulting reduced operating schedule caused a favorable impact on certain passenger-related operating expenses, including aircraft fuel, other rentals and landing fees, commissions to agents and food service. American's cost per ASM increased 6.3 percent to 11.14 cents, excluding TWA and the impact of special charges - net of U.S. Government grant. The increase in American's cost per ASM was driven partially by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 3.3 percent, excluding TWA and the impact of special charges - net of U.S. Government grant. TWA's cost per ASM, excluding the impact of special charges - net of U.S. Government grant, was 10.58 cents. Wages, salaries and benefits increased 18.4 percent, or $1.3 billion, and included approximately $920 million related to the addition of TWA. The remaining increase of approximately $329 million related primarily to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. During 2001, the Company recorded approximately $300 million in additional wages, salaries and benefits related primarily to the Company's new contracts with its flight attendants and Transport Workers Union work groups. This was mostly offset by a $328 million decrease in the provision for profit-sharing as compared to 2000. Aircraft fuel expense increased 15.8 percent, or $393 million, and included approximately $322 million related to the addition of TWA. The remaining increase in aircraft fuel expense was due to a 4.2 percent increase in the Company's average price per gallon, partially offset by a 3.7 percent decrease in the Company's fuel consumption, excluding TWA. Depreciation and amortization expense increased 16.8 percent, or $202 million, due primarily to the addition of new aircraft and an

increase of approximately $88 million related to TWA. Other rentals and landing fees increased $198 million, or 19.8 percent, and included approximately $130 million related to the addition of TWA. The remaining increase of $68 million was due primarily to higher facilities rent and landing fees across the Company's system. Commissions to agents decreased 19.5 percent, or $202 million, and included approximately $59 million related to TWA. The decrease in commissions to agents was due primarily to a 13.2 percent decrease in passenger revenues, excluding TWA, and the benefit from commission structure changes implemented in 2000. Aircraft rentals increased $222 million, or 36.6 percent, due primarily to the addition of TWA aircraft. Other operating expenses increased 11.1 percent, or $368 million, and included approximately $358 million related to TWA. Special charges – net of U.S. Government grant included: (i) a $685 million asset impairment charge recorded in the second quarter of 2001 related to the write-down of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables, (ii) charges resulting from the September 11, 2001 terrorist events, including approximately $552 million related to aircraft charges, $115 million in facility exit costs, $71 million in employee charges and $43 million in other charges, and (iii) an $856 million benefit recognized for the reimbursement from the U.S. Government under the Act. See a further discussion of special charges – net of U.S. Government grant in Note 2 to the consolidated financial statements.

2000 Compared to 1999 The Company's operating expenses increased 10.5 percent or approximately $1.7 billion. American's cost per ASM increased by 10.3 percent to 10.48 cents, partially driven by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 6.9 percent. Wages, salaries and benefits increased $663 million or 10.8 percent, primarily due to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts, an increase of approximately $93 million in the provision for profit-sharing, and a charge of approximately $56 million for the Company's employee home computer program. Aircraft fuel expense increased $799 million, or 47.1 percent, due to an increase of 42.0 percent in the Company's average price per gallon and a 3.7 percent increase in the Company's fuel consumption. The increase in fuel expense is net of gains of approximately $545 million recognized during 2000 related to the Company's fuel hedging program. Depreciation and amortization expense increased $110 million, or 10.1 percent, due primarily to the addition of new aircraft, many of which replaced older aircraft. Maintenance, materials and repairs expense increased $92 million, or 9.2 percent, due primarily to an increase in airframe and engine maintenance volumes at the Company's maintenance bases and an approximate $17 million one-time credit the Company received in 1999. Commissions to agents decreased 10.8 percent or $125 million, despite an 11.4 percent increase in passenger revenues, due primarily to commission structure changes implemented in October 1999 and January 2000, and a decrease in the percentage of commissionable transactions.

OTHER INCOME (EXPENSE)

Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous - net.

2001 Compared to 2000 Interest income decreased $44 million, or 28.6 percent, resulting from lower investment balances throughout most of 2001. Interest expense increased $71 million, or 15.2 percent, resulting primarily from the increase in long-term debt of approximately $4.2 billion. Miscellaneous – net decreased $70 million due primarily to 2001 including a $45 million gain from the settlement of a legal matter related to the Company's 1999 labor disruption, offset by the write-down of certain investments held by the Company. This compares to 2000 including a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated (priceline) common stock and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian Airlines International Limited (Canadian) services agreement.

2000 Compared to 1999 Interest income increased $59 million, or 62.1 percent, due primarily to higher investment balances. Interest expense increased $74 million, or 18.8 percent, resulting primarily from financing new aircraft deliveries. Interest capitalized increased 28 percent, or $33 million, due to an increase in purchase deposits for flight equipment. Miscellaneous - net increased $38 million due primarily to a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline common stock and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian services agreement. During 1999, the Company recorded a gain of approximately $75 million from the sale of a portion of American's interest in Equant N.V. and a gain of approximately $40 million related to the sale of the Company's investment in the preferred stock of Canadian. These gains were partially offset by the provision for the settlement of litigation items and the write-down of certain investments held by the Company during 1999.

OPERATING STATISTICS

The following table provides statistical information for American (excluding TWA) and AMR Eagle for the years ended December 31, 2001, 2000 and 1999.

	Year Ended December 31,		
	2001	2000	1999
American Airlines			
Revenue passenger miles (millions)	106,224	116,594	112,067
Available seat miles (millions)	153,035	161,030	161,211
Cargo ton miles (millions)	2,058	2,280	2,068
Passenger load factor	69.4%	72.4%	69.5%
Breakeven load factor (*)	78.1%	65.9%	63.8%
Passenger revenue yield per passenger mile (cents)	13.28	14.06	13.14
Passenger revenue per available seat mile (cents)	9.22	10.18	9.13
Cargo revenue yield per ton mile (cents)	30.24	31.31	30.70
Operating expenses per available seat mile (cents) (*)	11.14	10.48	9.50
Operating aircraft at year-end	712	717	697
AMR Eagle			
Revenue passenger miles (millions)	3,725	3,731	3,371
Available seat miles (millions)	6,471	6,256	5,640
Passenger load factor	57.6%	59.6%	59.8%
Operating aircraft at year-end	276	261	268

(*) Excludes the impact of special charges – net of U.S. Government grant

Liquidity and Capital Resources

The impact of the terrorist attacks of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general, and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation and Transportation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Act, taking into account any challenges to and interpretations or amendments of the Act or regulations issued pursuant thereto.

In response to the September 11, 2001 terrorist attacks, the Company initiated the following measures: reduced capacity by approximately 20 percent, grounded aircraft and deferred certain aircraft deliveries to future years, significantly reduced capital spending, closed facilities, reduced its workforce (see Note 2 to the consolidated financial statements for additional information) and implemented numerous other cost reduction initiatives.

Operating activities provided net cash of $511 million in 2001, $3.1 billion in 2000 and $2.3 billion in 1999. The $2.6 billion decrease from 2000 to 2001 resulted primarily from a decrease in income.

On April 9, 2001, American purchased substantially all of the assets and assumed certain liabilities of TWA for approximately $742 million, which was funded from the Company's existing cash and short-term investments.

Capital expenditures in 2001 totaled $3.6 billion, compared to $3.7 billion in 2000 and $3.5 billion in 1999. In 2001, American took delivery of 26 Boeing 737-800s, 13 Boeing 777-200ERs and 16 Boeing 757-200s. AMR Eagle took delivery of 15 Embraer 140s, seven Embraer 135s, six Embraer 145s and one Bombardier CRJ-700 aircraft. These expenditures were financed primarily through secured mortgage and debt agreements. Ten Boeing 737-800 aircraft were financed through sale-leaseback transactions, resulting in cash of approximately $352 million being received by the Company. Proceeds from the sale of equipment and property and other investments of $401 million included the proceeds received upon the delivery of five McDonnell Douglas MD-11 aircraft to FedEx.

During the fourth quarter of 2001, the Company reached an agreement with Boeing that included a combination of aircraft delivery deferrals, substitutions and limited additional aircraft orders. As a direct result of the agreement with Boeing, the Company's 2002 and 2003 aircraft commitment amounts have been reduced, in the aggregate, by approximately $700 million. Following this agreement, at December 31, 2001, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 14 Boeing 777-200ERs, nine Boeing 767-300ERs, seven Boeing 757-200s, 124 Embraer regional jets and 24 Bombardier CRJ-700s. Deliveries of all aircraft extend through 2008. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $1.3 billion in 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008. These future payments are net of approximately $470 million related to deposits made for 2002 aircraft deliveries - which have been deferred as part of the agreement with Boeing - that will be applied to future aircraft deliveries. In addition to these commitments for aircraft, the Company expects to spend approximately $500 million in 2002 for modifications to aircraft, renovations of - and additions to - airport and off-airport facilities, and the acquisition of various other equipment and assets.

During 2001, American issued approximately $2.6 billion of enhanced equipment trust certificates which has been recorded as long-term debt. These enhanced equipment trust certificates are secured by aircraft, bear interest at 6.8 percent to 9.1 percent, and mature in 2006 to 2019. Also during 2001, as mentioned above, the Company entered into approximately $1.1 billion of various debt agreements secured by aircraft. Effective rates on these agreements are fixed or variable (based upon the London Interbank Offered Rate (LIBOR) plus a spread), ranging up to approximately 4.5 percent, and mature over various periods of time, ranging from 2007 to 2021.

American has an $834 million credit facility that expires December 15, 2005. At American's option, interest on this facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR. During the fourth quarter of 2001, American amended this credit facility to include, among other items, a revision of its financial covenants, including modifications to its fixed charge covenant and the addition of certain liquidity requirements. The next test of the fixed charge covenant will occur on June 30, 2003 and will consider only the preceding six-month period. American secured the facility with previously unencumbered aircraft. In addition, the facility requires that American maintain at least $1.5 billion of liquidity, as defined in the facility, which consists primarily of cash and short-term investments, and 50 percent of the net book value of its unencumbered aircraft. As of December 31, 2001, $814 million was outstanding under this credit facility, at an interest rate of 5.09 percent. The interest rate on the entire credit facility will be reset on March 18, 2002.

In addition, American has available a $1 billion credit facility that expires September 30, 2002. Interest on this facility is based upon LIBOR plus a spread. This facility is immediately available subject to the Company providing specified aircraft collateral as security at the time of borrowing. At December 31, 2001, no borrowings were outstanding under this facility.

Following the September 11, 2001 events, Standard & Poor's and Moody's downgraded the credit ratings of AMR and American, and the credit ratings of a number of other major airlines. The long-term corporate credit ratings of AMR and American were initially retained on review for possible downgrade by Moody's, and following subsequent downgrades, were given a negative outlook. In addition, the long-term corporate credit ratings of AMR and American remain on Standard & Poor's CreditWatch with negative implications. Any additional reductions in AMR's or American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing sources.

The following table summarizes the Company's obligations and commitments to be paid in 2002 and 2003 (in millions):

Nature of commitment	2002	2003
Operating lease payments for aircraft and facility obligations (*)	$ 1,336	$ 1,276
Firm aircraft commitments	1,300	1,700
Long-term debt (**)	556	296
Capital lease obligations (**)	326	243
Total obligations and commitments	$ 3,518	$ 3,515

(*) Certain special facility revenue bonds issued by municipalities - which are supported by operating leases executed by American - are guaranteed by AMR and American. See Note 6 to the consolidated financial statements for additional information.

(**) Excludes related interest amounts

In addition to the Company's approximately $3.0 billion in cash and short-term investments as of December 31, 2001, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant, which approximates $128 million, (ii) additional secured aircraft debt (as of December 31, 2001, the Company had approximately $4.4 billion net book value of unencumbered aircraft), (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) tax-exempt borrowings for airport facilities, (vi) securitization of future operating receipts, (vii) unsecured borrowings, and (viii) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its financing needs as discussed above.

AMR (principally American) historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

Other Information

Environmental Matters Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity. Additional information is included in Note 5 to the consolidated financial statements.

Critical Accounting Policies and Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements: accounting for long-lived assets, passenger revenue, frequent flyer accounting, and pensions and other postretirement benefits.

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Accounting for Long-Lived Assets - The Company has approximately $21 billion of long-lived assets as of December 31, 2001, including approximately $19 billion related to flight equipment and related fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives, salvage values and in 2001, impairment charges. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values. During 2001, the Company determined its Fokker 100, Saab 340 and ATR 42 aircraft and related rotables were impaired under SFAS 121 and recorded impairment charges of approximately $1.1 billion. In addition, during the fourth quarter of 2001, the Company completed an impairment analysis of its long-lived assets, including aircraft fleets, route acquisition costs, airport operating and gate lease rights, and goodwill. The impairment analysis did not result in any additional impairment charges. See Notes 1 and 2 to the consolidated financial statements for additional information with respect to each of the policies and assumptions utilized by the Company which affect the recorded values of long-lived assets. A

Passenger revenue - Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience. Due to the uncertainties surrounding the impact of the September 11, 2001 events on the Company's business (see Note 2 to the consolidated financial statements) and the acquisition of TWA in April 2001 (see Note 3 to the consolidated financial statements), historical trends may not be representative of future results.

Frequent flyer accounting - The Company utilizes a number of estimates in accounting for its AAdvantage frequent flyer program. Additional information regarding the Company's AAdvantage frequent flyer program is included in Item 1 - Business (pages 10 and 11) and Note 1 to the consolidated financial statements. Changes to the percentage of the amount of revenue deferred, deferred recognition period, cost per mile estimates or the minimum award level accrued could have a significant impact on the Company's revenues or incremental cost accrual in the year of the change as well as in future years. In addition, the Emerging Issues Task Force of the Financial Accounting Standards Board is currently reviewing the accounting for both multiple-deliverable revenue arrangements and volume-based sales incentive offers, but has not yet reached a consensus that would apply to programs such as the AAdvantage program. The issuance of new accounting standards could have a significant impact on the Company's frequent flyer liability in the year of the change as well as in future years.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See Note 8 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by utilizing jet fuel, heating oil, and crude swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2001 and 2000 cost per gallon of fuel. Based on projected 2002 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $169 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2001 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $194 million in 2001, net of fuel hedge instruments outstanding at December 31, 2000. The change in market risk is due primarily to the decrease in fuel prices. As of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements, approximately 21 percent of its estimated 2003 fuel requirements, and approximately five percent of its estimated 2004 fuel requirements, compared to approximately 40 percent of its estimated 2001 fuel requirements, 15 percent of its estimated 2002 fuel requirements, and approximately seven percent of its estimated 2003 fuel requirements hedged at December 31, 2000.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company uses options to hedge a portion of its anticipated foreign currency-denominated ticket sales. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2001 and 2000 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $40 million and $33 million for the years ending December 31, 2002 and 2001, respectively, net of hedge instruments outstanding at December 31, 2001 and 2000, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2002 and 2001 foreign currency-denominated revenues and expenses as of December 31, 2001 and 2000.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 35 percent and 29 percent of its total long-term debt at December 31, 2001 and 2000, respectively, and interest rate swaps on notional amounts of approximately $148 million and $158 million, respectively, at December 31, 2001 and 2000. If interest rates average 10 percent more in 2002 than they did at December 31, 2001, the Company's interest expense would increase by approximately $10 million and interest income from cash and short-term investments would increase by approximately $16 million. In comparison, at December 31, 2000, the Company estimated that if interest rates averaged 10 percent more in 2001 than they did at December 31, 2000, the Company's interest expense would have increased by approximately $11 million and interest income from cash and short-term investments would have increased by approximately $15 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2001 and 2000.

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		1997	1998	1999	2000	2001
Earnings:						
Earnings (loss) from continuing operations before income taxes and extraordinary loss	A	$ 1,336	$ 1,833	$ 1,006	$ 1,287	$ (2,756)
Add: Total fixed charges (per below)	E	1,166	1,117	1,227	1,313	1,618
Less: Interest capitalized	A	20	104	118	151	144
Total earnings (loss)		$ 2,482	$ 2,846	$ 2,115	$ 2,449	$ (1,282)
Fixed charges:	E					
Interest	C	$ 420	$ 369	$ 383	$ 450	$ 515
Portion on rental expense representative of the interest factor	G	744	743	832	844	1,076
Amortization of debt expense	C	2	5	12	19	27
Total fixed charges		$ 1,166	$ 1,117	$ 1,227	$ 1,313	$ 1,618
Ratio of earnings to fixed charges		2.13	2.55	1.72	1.87	-
Coverage deficiency	E	-	-	-	-	$ 2,900
						E

Exhibit C

PART I

ITEM 1. BUSINESS

American Airlines, Inc., the principal subsidiary of AMR Corporation (AMR), was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, Inc., including TWA (collectively, American or the Company), is the largest scheduled passenger airline in the world. At the end of 2001, American provided scheduled jet service to more than 161 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system.

On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines (United) aircraft were also hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 18,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Act), which for all U.S. airlines and air cargo carriers (collectively, air carriers) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the attacks, of which the Company has received approximately $703 million as of December 31, 2001 and expects to receive additional payments in 2002 aggregating approximately $124 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expires 180 days after the enactment of the Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier. A

On November 12, 2001, American Airlines Flight 587 crashed shortly after take-off from John F. Kennedy International Airport en route to Santo Domingo in the Dominican Republic. In addition to the loss of life on board the aircraft, there were several fatalities and injuries to persons on the ground as well as property damage. The National Transportation Safety Board is currently investigating the accident; a cause has yet to be determined. As a result of the accident, claims have been made against American. It is anticipated these claims will be covered under American's insurance policies.

Competition

Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United also have hub operations at DFW and Chicago O'Hare, respectively.

The American Eagle carriers, owned by AMR Eagle Holding Corporation, an AMR subsidiary, increase the number of markets American serves by providing connections at American's hubs and certain other major airports. The American Eagle carriers serve smaller markets through Boston, DFW, Chicago, Miami, San Juan, Los Angeles and New York's LaGuardia and John F. Kennedy International Airports. In addition, American contracts with three independently owned regional airlines which do business as the "American Connection" to provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide service at their major hubs.

In addition to its extensive domestic service, the Company provides international service to the Caribbean, the Bahamas, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 29 percent in 2001 and 31 percent in 2000 and 1999 of the Company's total operating revenues. Additional information about the Company's foreign operations is included in Note 14 to the consolidated financial statements.

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The domestic airline industry is fiercely competitive. Currently, any air carrier deemed fit by the U.S. Department of Transportation (DOT) is free to operate scheduled passenger service between any two points within the U.S. and its possessions. On most of its domestic non-stop routes, the Company faces competing service from at least one, and sometimes more than one, major domestic airline including: Alaska Airlines, America West Airlines, Continental Airlines (Continental), Delta, Northwest Airlines (Northwest), Southwest Airlines, United and US Airways, and their affiliated regional carriers. Competition is even greater between cities that require a connection, where all nine major airlines may compete via their respective hubs. The Company also competes with national, regional, all-cargo and charter carriers and, particularly on shorter segments, ground transportation. In addition, on all of its routes, pricing decisions are affected, in part, by competition from other airlines, some of which have cost structures significantly lower than the Company's and can therefore operate profitably at lower fare levels.

The majority of the tickets for travel on American are sold by travel agents. Domestic travel agents generally receive a base commission of five percent of the price of the tickets they sell. This amount is capped by the Company at a maximum of $20 for a domestic roundtrip itinerary and $100 for an international roundtrip itinerary. Airlines often pay additional commissions in connection with special revenue programs. Accordingly, airlines compete not only with respect to the price of the tickets sold but also with respect to the amount of commissions paid.

The growing use of electronic distribution systems provides the Company with an ever-increasing ability to lower its distribution costs. The Company continues to expand the capabilities of its Internet website - AA.com - and the use of electronic ticketing throughout the Company's network. In addition, the Company has entered into various agreements with several Internet travel providers, including Travelocity.com, Expedia, priceline.com, Orbitz and Hotwire. The base commission for sales through Internet travel providers is lower than traditional travel agencies.

Labor

The airline business is labor intensive. Wages, salaries and benefits represented approximately 38 percent of the Company's consolidated operating expenses for the year ended December 31, 2001. E

The majority of the Company's employees are represented by labor unions and covered by collective bargaining agreements. The Company's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among American and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. If no agreement is reached in mediation, the NMB may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period, a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of workers to replace strikers.

American reached a new contract with the Association of Professional Flight Attendants (APFA) during 2001. The new contract becomes amendable on November 30, 2004.

American reached new agreements with the Transport Workers Union (TWU) during 2001 concerning the eight employee groups represented by the TWU. The new agreements become amendable on March 1, 2004.

In 2001, American commenced negotiations with the Allied Pilots Association (APA). The APA agreement became amendable August 31, 2001.

In addition, a provision under the current APA contract further limits the number of available seat miles (ASMs) and block hours flown by American's regional carriers when pilots from American are on furlough. American Eagle continues to accept previously ordered regional jets. This will cause the ASM cap to be reached in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision.

The portions of the Company's work force which are non-union have already largely incorporated their counterparts from TWA. With respect to the integration of the unionized portions of the work forces at American and TWA, the Company engaged facilitators to work with American's and TWA's unions in attempting to achieve integration agreements acceptable to all unions. Unfortunately, these discussions were unable to produce agreements acceptable to both unions as to each class or craft. American later reached integration agreements with the APA (with respect to pilot integration issues) and the APFA (with respect to flight attendant integration issues). Discussions with the TWU did not result in an agreement on integration of the eight work groups represented at American by the TWU. However, American and the TWU will be participating in arbitration with respect to certain integration issues in late February and early March 2002. The International Association of Machinists, which represents certain work groups at TWA, will be participating as well. The details of the arbitration agreement are still being worked out. Currently, the NMB is considering a petition asking that it declare American and TWA a single carrier for labor relations purposes and the representation effects of such a ruling (a single carrier ruling is believed likely to occur). It is expected that the NMB will most likely designate American's incumbent unions as the collective bargaining representatives of the combined work groups once a single carrier is found to exist. The integration of the unionized work groups will thereafter follow in a schedule worked out between American and the relevant unions.

Fuel

The Company's operations are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 1999 through 2001 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Average Cost Per Gallon, Excluding Fuel Taxes (in cents)	Percent of American's Operating Expenses
1999	2,957	$ 1,622	54.8	50.1	10.6
2000	3,045	2,372	77.9	72.3	14.1
2001	3,294	2,744 *	81.2 *	76.0 *	13.9

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* The amounts for 2001 reflect the January 1, 2001 adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133); the 2000 and 1999 amounts do not. See a further discussion of the impact of SFAS 133 to the Company in Note 9 to the consolidated financial statements.

The impact of fuel price changes on the Company and its competitors is dependent upon various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices, which has had the effect of reducing the Company's average cost per gallon. During 2001 and 2000, the Company's fuel hedging program reduced the Company's fuel expense by approximately $27 million and $517 million, respectively. To reduce the impact of potential fuel price increases in 2002, as of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements. Based on projected fuel usage, the Company estimates that a 10 percent increase in the price per gallon of fuel would result in an increase to aircraft fuel expense of approximately $159 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001. Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, any potential benefit of lower fuel prices may be offset by increased fare competition and lower revenues for all air carriers.

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While the Company does not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there was an outbreak of hostilities or other conflicts in oil producing areas, there could be reductions in the production and/or importation of crude oil. If there were major reductions in the availability of jet fuel, the Company's business would be adversely affected.

Additional information regarding the Company's fuel program is included in Item 7(A) – Quantitative and Qualitative Disclosures about Market Risk and in Note 9 to the consolidated financial statements.

Frequent Flyer Program

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits and related services to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time without notice. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months' notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one year after issuance. Most travel awards are subject to capacity controlled seating. In 1999, certain changes were made to the AAdvantage program so that miles do not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American utilizes the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and such award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. These estimates are based upon the Company's 12-month historical average of such costs. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs.

Revenue earned from selling AAdvantage miles to other companies participating in American's frequent flyer program is recognized in two components. The first component represents the revenue for air transportation sold and is valued at current market rates. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized immediately.

In conjunction with the acquisition of TWA's assets (see Note 3 to the consolidated financial statements), members of TWA's Aviators frequent flyer program (Aviators) were eligible to transfer the unused mileage balances in their Aviators account to the AAdvantage program. As part of the purchase price allocation of TWA, the Company established a liability related to the incremental cost of the unused mileage balances in the Aviator's program. Effective November 30, 2001, Aviator's was discontinued and its members have until November 30, 2002 to exchange their Aviators' miles for AAdvantage miles. The Company does not expect the future transfer of Aviators' miles into the AAdvantage program to be material.

At December 31, 2001 and 2000, American estimated that approximately 8.7 million and 6.5 million free travel awards, respectively, were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, American has included the Aviators' miles and excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which are not expected to ever be redeemed for free travel on American. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel on American or other participating airlines and deferred revenues for mileage credits sold to others participating in the program was approximately $1.1 billion and $976 million, representing 15.6 percent and 14.4 percent of the Company's total current liabilities, at December 31, 2001 and 2000, respectively.

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The estimated number of free travel awards used for travel on American and American Eagle (excluding TWA) was 2.7 million in 2001, 2.8 million in 2000 and 2.7 million in 1999, representing approximately 7.4 percent of total passengers boarded in 2001, 7 percent in 2000 and 8 percent in 1999 (excluding TWA). The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(c) of Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

American Airlines, Inc. is a wholly-owned subsidiary of AMR Corporation and there is no market for the Registrant's Common Stock.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Omitted under the reduced disclosure format pursuant to General Instruction I(2)(a) of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Abbreviated pursuant to General Instruction I(2)(a) of Form 10-K).

American Airlines, Inc., the principal subsidiary of AMR Corporation (AMR), was founded in 1934. On April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA since the date of acquisition have been included in the accompanying consolidated financial statements for the year ended December 31, 2001 (see Note 3 to the consolidated financial statements). American Airlines, Inc., including TWA (collectively, American), is the largest scheduled passenger airline in the world.

Results of Operations

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The Company's net loss in 2001 was $1.6 billion compared to net earnings of $778 million in 2000. On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft were also hijacked and used in terrorist attacks. In response to the terrorist attacks, the Federal Aviation Administration (FAA) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. Somewhat offsetting the impact of the September 11 events, the Company recorded $827 million in reimbursement from the U.S. Government under the Air Transportation Safety and System Stabilization Act (the Act) (see Note 2 to the consolidated financial statements).

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REVENUES

2001 Compared to 2000 The Company's 2001 revenues, yield, revenue passenger miles and available seat miles (ASMs) were severely impacted by the September 11, 2001 terrorist attacks, the Company's reduced operating schedule, a worsening of the U.S. economy that had already been dampening the demand for travel both domestically and internationally prior to the September 11, 2001 events, business travel declines as a result of the September 11, 2001 attacks, and increased fare sale activity occurring subsequent to the September 11 attacks to encourage passengers to resume flying. The Company's revenues decreased approximately $633 million, or 3.5 percent, versus 2000. However, excluding TWA's revenues for the period April 10, 2001 through December 31, 2001, the Company's revenues would have decreased approximately $2.5 billion versus 2000.

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For comparability purposes, the following discussion does not combine American's and TWA's results of operations or related statistics for 2001. American's passenger revenues decreased by 14 percent or $2.3 billion. In 2001, American derived approximately 68 percent of its passenger revenues from domestic operations and approximately 32 percent from international operations. American's domestic revenue per available seat mile (RASM) decreased 11.3 percent, to 9.28 cents, on a capacity decrease of 5 percent, or 104 billion ASMs. International RASM decreased to 9.07 cents, or 5.2 percent, on a capacity decrease of 4.9 percent. The decrease in international RASM was led by an 11.8 percent and 10.8 percent decrease in Pacific and European RASM, respectively, slightly offset by a 0.9 percent increase in Latin American RASM. The decrease in international capacity was driven by a 6.5 percent and 4.7 percent reduction in Latin American and European ASMs, respectively, partially offset by an increase in Pacific capacity of 2.8 percent.

TWA's passenger revenues were approximately $1.7 billion for the period April 10, 2001 through December 31, 2001. TWA's RASM was 7.74 cents on capacity of 21.7 billion ASMs.

Cargo revenues decreased 8.1 percent, or $58 million, due primarily to the September 11, 2001 terrorist attacks and a worsening of the U.S. economy that had already been dampening the demand for air travel prior to that date.

OPERATING EXPENSES

2001 Compared to 2000 The Company's operating expenses increased 17.1 percent, or approximately $2.9 billion. However, excluding TWA's expenses for the period April 10, 2001 through December 31, 2001, the Company's expenses would have increased approximately $662 million versus 2000. In addition to the specific explanations provided below, the significant decline in passenger traffic resulting from the terrorist acts of September 11, 2001 and resulting reduced operating schedule caused a favorable impact on certain passenger-related operating expenses, including aircraft fuel, other rentals and landing fees, commissions to agents and food service. American's cost per ASM increased 6.3 percent to 11.14 cents, excluding TWA and the impact of special charges - net of U.S. Government grant. The increase in American's cost per ASM was driven partially by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 3.3 percent, excluding TWA and the impact of special charges - net of U.S. Government grant. TWA's cost per ASM, excluding the impact of special charges - net of U.S. Government grant, was 10.58 cents. Wages, salaries and benefits increased 19.1 percent, or $1.2 billion, and included approximately $920 million related to the addition of TWA. The remaining increase of approximately $292 million related primarily to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. During 2001, the Company recorded approximately $300 million in additional wages, salaries and benefits related primarily to the Company's new contracts with its flight attendants and Transport Workers Union work groups. This was mostly offset by a $341 million decrease in the provision for profit-sharing as compared to 2000. Aircraft fuel expense increased 15.7 percent, or $372 million, and included approximately $322 million related to the addition of TWA. The remaining increase in aircraft fuel expense was due to a 4.2 percent increase in the Company's average price per gallon, partially offset by a 4.4 percent decrease in the Company's fuel consumption, excluding TWA. Depreciation and amortization expense increased 17.7 percent, or $189 million, due primarily to the addition of new aircraft and an increase of approximately $88 million related to TWA. Other rentals and landing fees increased $194 million, or 21.1 percent, and included approximately $130 million related to the addition of TWA. The remaining increase of $64 million was due primarily to higher facilities rent and landing fees across American's system. Aircraft rentals increased $238 million, or 42.4 percent, due primarily to the addition of TWA aircraft. Commissions to agents decreased 19.2 percent, or $187 million, and included approximately $59 million related to TWA. The decrease in commissions to agents was due primarily to an approximate 14 percent decrease in passenger revenues, excluding TWA, and the benefit from commission structure changes implemented in 2000. Other operating expenses increased 12.3 percent, or $364 million, and included approximately $358 million related to TWA. Special charges – net of U.S. Government grant included: (i) a $586 million asset impairment charge recorded in the second quarter of 2001 related to the write-down of the carrying value of the Company's Fokker 100 aircraft and related rotables, (ii) charges resulting from the September 11, 2001 terrorist events, including approximately $439 million related to aircraft charges, $114 million in facility exit costs, $69 million in employee charges and $40 million in other charges, and (iii) an $827 million benefit recognized for the reimbursement from the U.S. Government under the Act. See a further discussion of special charges – net of U.S. Government grant in Note 2 to the consolidated financial statements.

OTHER INCOME (EXPENSE)

2001 Compared to 2000 Interest income decreased $49 million, or 35.5 percent, resulting from lower investment balances throughout most of 2001. Interest expense increased $98 million, or 34.9 percent, resulting primarily from the increase in long-term debt of approximately $4.2 billion. Related party interest – net decreased $34 million due primarily to higher affiliate intercompany balances with American throughout most of the year. Miscellaneous – net decreased $24 million due primarily to 2001 including a $45 million gain from the settlement of a legal matter related to the Company's 1999 labor disruption, offset by the write-down of certain investments held by the Company. This compares to 2000 including a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated common stock.

Other Information

The impact of the terrorist attacks of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general, and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation and Transportation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Act, taking into account any challenges to and interpretations or amendments of the Act or regulations issued pursuant thereto.

In response to the September 11, 2001 terrorist attacks, the Company initiated the following measures: reduced capacity by approximately 20 percent, grounded aircraft and deferred certain aircraft deliveries to future years, significantly reduced capital spending, closed facilities, reduced its workforce (see Note 2 to the consolidated financial statements for additional information) and implemented numerous other cost reduction initiatives.

During the fourth quarter of 2001, the Company reached an agreement with Boeing that included a combination of aircraft delivery deferrals, substitutions and limited additional aircraft orders. As a direct result of the agreement with Boeing, the Company's 2002 and 2003 aircraft commitment amounts have been reduced, in the aggregate, by approximately $700 million. Following this agreement at December 31, 2001, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 14 Boeing 777-200ERs, nine Boeing 767-300ERs and seven Boeing 757-200s. Deliveries of all aircraft extend through 2008. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $650 million in 2002, $1.0 billion in 2003, $500 million in 2004 and an aggregate of approximately $1.3 billion in 2005 through 2008. These future payments are net of approximately $470 million related to deposits made for 2002 aircraft deliveries - which have been deferred as part of the agreement with Boeing - that will be applied to future aircraft deliveries. In addition to these commitments for aircraft, the Company expects to spend approximately $500 million in 2002 for modifications to aircraft, renovations of - and additions to - airport and off-airport facilities, and the acquisition of various other equipment and assets.

During 2001, American issued approximately $2.6 billion of enhanced equipment trust certificates which has been recorded as long-term debt. These enhanced equipment trust certificates are secured by aircraft, bear interest at 6.8 percent to 9.1 percent, and mature in 2006 to 2019. Also during 2001, the Company entered into approximately $773 million of various debt agreements secured by aircraft. Effective rates on these agreements are fixed or variable (based upon the London Interbank Offered Rate (LIBOR) plus a spread), ranging up to approximately 4.5 percent and mature over various periods of time, ranging from 2007 to 2021.

American has an $834 million credit facility that expires December 15, 2005. At American's option, interest on this facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR. During the fourth quarter of 2001, American amended this credit facility to include, among other items, a revision of its financial covenants, including modifications to its fixed charge covenant and the addition of certain liquidity requirements. The next test of the fixed charge covenant will occur on June 30, 2003 and will consider only the preceding six-month period. American secured the facility with previously unencumbered aircraft. In addition, the facility requires that American maintain at least $1.5 billion of liquidity, as defined in the facility, which consists primarily of cash and short-term investments, and 50 percent of the net book value of its unencumbered aircraft. As of December 31, 2001, $814 million was outstanding under this credit facility, at an interest rate of 5.09 percent. The interest rate on the entire credit facility will be reset on March 18, 2002.

In addition, American has available a $1 billion credit facility that expires September 30, 2002. Interest on this facility is based upon LIBOR plus a spread. This facility is immediately available subject to the Company providing specified aircraft collateral as security at the time of borrowing. At December 31, 2001, no borrowings were outstanding under this facility.

Following the September 11, 2001 events, Standard & Poor's and Moody's downgraded the credit ratings of American, and the credit ratings of a number of other major airlines. The long-term corporate credit ratings of American were initially retained on review for possible downgrade by Moody's, and following subsequent downgrades, were given a negative outlook. In addition, the long-term corporate credit ratings of American remain on Standard & Poor's CreditWatch with negative implications. Any additional reductions in American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing sources.

The following table summarizes the Company's obligations and commitments to be paid in 2002 and 2003 (in millions):

Nature of commitment	2002	2003
Operating lease payments for aircraft and facility obligations (*)	$ 1,314	$ 1,256
Firm aircraft commitments	650	1,000
Long-term debt (**)	421	212
Capital lease obligations (**)	288	205
Total obligations and commitments	$ 2,673	$ 2,673

(*) Certain special facility revenue bonds issued by municipalities - which are supported by operating leases executed by American - are guaranteed by AMR and American. See Note 7 to the consolidated financial statements for additional information.

(**) Excludes related interest amounts

In addition to the Company's approximately $3.0 billion in cash and short-term investments as of December 31, 2001, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant, which approximates $124 million, (ii) additional secured aircraft debt (as of December 31, 2001, the Company had approximately $4.4 billion net book value of unencumbered aircraft), (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) tax-exempt borrowings for airport facilities, (vi) securitization of future operating receipts, (vii) unsecured borrowings, and (viii) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its financing needs as discussed above.

Working Capital American historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

Environmental Matters American has been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. American's alleged volumetric contributions at these sites are minimal. American does not expect these matters, individually or collectively, to have a significant impact on its results of operations, financial position or liquidity. Additional information is included in Note 6 to the consolidated financial statements.

Capital contribution from AMR During 2001, the Board of Directors of AMR approved the capital contribution of $1.5 billion from AMR to American.

Critical Accounting Policies and Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements: accounting for long-lived assets, passenger revenue, frequent flyer accounting, and pensions and other postretirement benefits.

Accounting for Long-Lived Assets - The Company has approximately $19 billion of long-lived assets as of December 31, 2001, including approximately $17 billion related to flight equipment and related fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives, salvage values and in 2001, impairment charges. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values. During 2001, the Company determined its Fokker 100 aircraft and related rotables were impaired under SFAS 121 and recorded impairment charges of approximately $911 million. In addition, during the fourth quarter of 2001, the Company completed an impairment analysis of its long-lived assets, including aircraft fleets, route acquisition costs, airport operating and gate lease rights, and goodwill. The impairment analysis did not result in any additional impairment charges. See Notes 1 and 2 to the consolidated financial statements for additional information with respect to each of the policies and assumptions utilized by the Company which affect the recorded values of long-lived assets.

Passenger revenue - Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience. Due to the uncertainties surrounding the impact of the September 11, 2001 events on the Company's business (see Note 2 to the consolidated financial statements) and the acquisition of TWA in April 2001 (see Note 3 to the consolidated financial statements), historical trends may not be representative of future results.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See Note 9 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by utilizing jet fuel, heating oil, and crude swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2001 and 2000 cost per gallon of fuel. Based on projected 2002 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $159 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2001 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $183 million in 2001, net of fuel hedge instruments outstanding at December 31, 2000. The change in market risk is due primarily to the decrease in fuel prices. As of December 31, 2001, the Company had hedged approximately 40 percent of its estimated 2002 fuel requirements, approximately 21 percent of its estimated 2003 fuel requirements, and approximately five percent of its estimated 2004 fuel requirements, compared to approximately 40 percent of its estimated 2001 fuel requirements, 15 percent of its estimated 2002 fuel requirements, and approximately seven percent of its estimated 2003 fuel requirements hedged at December 31, 2000.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company uses options to hedge a portion of its anticipated foreign currency-denominated ticket sales. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2001 and 2000 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $40 million and $33 million for the years ending December 31, 2002 and 2001, respectively, net of hedge instruments outstanding at December 31, 2001 and 2000, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2002 and 2001 foreign currency-denominated revenues and expenses as of December 31, 2001 and 2000.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 45 percent and 51 percent of its total long-term debt at December 31, 2001 and 2000, respectively, and interest rate swaps on notional amounts of approximately $148 million and $158 million, respectively, at December 31, 2001 and 2000. If interest rates average 10 percent more in 2002 than they did at December 31, 2001, the Company's interest expense would increase by approximately $10 million and interest income from cash and short-term investments would increase by approximately $16 million. In comparison, at December 31, 2000, the Company estimated that if interest rates averaged 10 percent more in 2001 than they did at December 31, 2000, the Company's interest expense would have increased by approximately $11 million and interest income from cash and short-term investments would have increased by approximately $11 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2001 and 2000.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	1997	1998	1999	2000	2001
Earnings:					
Earnings (loss) from continuing operations before income taxes and extraordinary loss	$ 1,287	$ 1,745	$ 1,054	$ 1,282	$ (2,449)
Add: Total fixed charges (per below)	995	906	989	1,068	1,435
Less: Interest capitalized	19	97	111	143	135
Total earnings	$ 2,263	$ 2,554	$ 1,932	$ 2,207	$ (1,149)
Fixed charges:					
Interest	$ 297	$ 208	$ 215	$ 281	$ 406
Portion on rental expense representative of the interest factor	697	697	773	785	1,025
Amortization of debt expense	1	1	1	2	4
Total fixed charges	$ 995	$ 906	$ 989	$ 1,068	$ 1,435
Ratio of earnings to fixed charges	2.27	2.82	1.95	2.07	-
Coverage deficiency	-	-	-	-	$ 2,584

Note: In April 2001, the Board of Directors of American approved the guarantee by American of ~~AMR's existing~~ debt obligations. As of December ~~31, 2001,~~ this guarantee covered approximately $676 million of unsecured debt and approximately $573 million of secured debt. The impact of these unconditional guarantees is not included in the above computation.

Exhibit D

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2002 and 2001

Summary AMR Corporation's (AMR or the Company) **net loss** during the first quarter of 2002 was $575 million, or $3.71 per share, as compared to a net loss of $43 million, or $0.28 per share for the same period in 2001. AMR's **operating loss** of $729 million increased $725 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. (a wholly owned subsidiary of AMR) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three-month period ended March 31, 2001. All references to American Airlines, Inc. include TWA (collectively, American).

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's first quarter 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown -- seen largely in business travel declines -- and an increase in fare sale activity. In total, the Company's **revenues** decreased $624 million or 13.1 percent, in the first quarter of 2002 from the same period last year. American's **passenger revenues** decreased by 11.5 percent or $451 million in the first three months of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 15.4 percent, to 8.7 cents, on a capacity increase of 9.4 percent, to 29.3 billion available seat miles (ASMs). International RASM decreased to 8.66 cents, or 10.6 percent, on a capacity decrease of 11.4 percent. The decrease in international RASM was due to a 14.1 percent decrease and 11.9 percent decrease in European and Latin American RASM, respectively, slightly offset by a 9 percent increase in Pacific RASM. The decrease in international capacity was driven by a 39.5 percent, 13.9 percent and 4 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 13.8 percent, or $49 million. AMR Eagle's traffic increased 6.9 percent while capacity decreased 1.3 percent, to approximately 1.6 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $42 million, or 23.9 percent, for the same reasons as noted above.

Other revenues decreased 27.8 percent, or $82 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

The Company's **operating expenses** increased 2.1 percent, or $101 million. American's cost per ASM increased 0.4 percent to 11.30 cents. **Wages, salaries and benefits** increased 19.1 percent, or $334 million, primarily due to contractual wage rate and seniority increases that are built into the Company's labor contracts. In addition, the Company experienced increases in its pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 25.5 percent, or $180 million due primarily to a 23.3 percent decrease in the Company's average price per gallon of fuel. **Other rentals and landing fees** increased 12.5 percent, or $32 million, due to higher facilities rent and landing fees across American's system. **Aircraft rentals** increased $78 million, or 52.7 percent, due primarily to the addition of TWA aircraft. **Commissions to agents** decreased 28.1 percent, or $63 million, due primarily to an 11.7 percent decrease in passenger revenues and a decrease in the percentage of commissionable transactions. **Other operating expenses** decreased 11 percent, or $100 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and credit card fees, which were partially offset by higher insurance and security costs.

Other income (expense), historically a net expense, increased $81 million due to the following: **Interest income** decreased 55 percent, or $22 million, due primarily to decreases in interest rates. **Interest expense** increased $47 million, or 39.5 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $19 million, or 46.3 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased 46.7 percent, or $7 million, due to the write-down of certain investments held by the Company during the first quarter of 2001.

The effective tax rate for the three months ended March 31, 2002 was impacted by a $27 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did, however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used for operating activities in the three-month period ended March 31, 2002 was $406 million, an increase of $425 million over the same period in 2001, due primarily to an increase in the Company's net loss. Capital expenditures for the first three months of 2002 were $619 million, and included the acquisition of six Boeing 757-200s, two Boeing 777-200ERs, seven Embraer 140s and two Bombardier CRJ-700 aircraft. These capital expenditures were financed primarily through secured mortgage and debt agreements.

As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs, one Boeing 757-200, 117 Embraer regional jets and 22 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $825 million during the remainder of 2002, $1.7 billion in 2003, $1.2 billion in 2004 and an aggregate of approximately $1.9 billion in 2005 through 2008.

OTHER INFORMATION

In addition to the Company's approximately $2.3 billion in cash and short-term investments as of March 31, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $100 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks (in April 2002, the Company received approximately $393 million related to the utilization of its remaining 2001 NOL), (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, (viii) unsecured borrowings, and (ix) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until May 19, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association contract further limits the number of ASMs and block hours flown by American's regional carrier partners when American pilots are on furlough. As AMR Eagle continues to accept previously ordered regional jets, this will cause the ASM cap to be reached sometime in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition,

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended March 31,	
	2002	2001
Earnings (loss):		
Loss before income taxes	$ (863) B	$ (57) B
Add: Total fixed charges (per below)	440 E	332 E
Less: Interest capitalized	22 B	41 B
Total earnings (loss)	$ (445) E	$ 234 E
Fixed charges:		
Interest	$ 160 C	$ 114 C
Portion of rental expense representative of the interest factor	272 G	212 G
Amortization of debt expense	8 C	6 C
Total fixed charges	$ 440 E	$ 332 E
Coverage deficiency	$ 885 E	$ 98 E

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2002 and 2001

Summary American Airlines, Inc. (a wholly owned subsidiary of AMR Corporation) recorded a **net loss** for the three months ended March 31, 2002 of $542 million. This compares to a net loss of $34 million for the first quarter of 2001. American Airlines, Inc. **operating loss** of $722 million increased $710 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks. In addition, on April 9, 2001, American Airlines, Inc. purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA are included in the accompanying condensed consolidated financial statements for the three-month period ended March 31, 2002 but not for the three-month period ended March 31, 2001. All references to American Airlines, Inc. include TWA (collectively, American or the Company).

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's first quarter 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown -- seen largely in business travel declines-- and an increase in fare sale activity. In total, the Company's **revenues** decreased $570 million, or 13 percent, in the first quarter of 2002 from the same period last year. American's **passenger revenues** decreased by 11.5 percent, or $451 million in the first three months of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 15.4 percent, to 8.7 cents, on a capacity increase of 9.4 percent, to 29.3 billion available seat miles (ASMs). International RASM decreased to 8.66 cents, or 10.6 percent, on a capacity decrease of 11.4 percent. The decrease in international RASM was due to a 14.1 percent decrease and 11.9 percent decrease in European and Latin American RASM, respectively, slightly offset by a 9 percent increase in Pacific RASM. The decrease in international capacity was driven by a 39.5 percent, 13.9 percent and 4 percent reduction in Pacific, European and Latin American ASMs, respectively.

Cargo **revenues** decreased $41 million, or 23.6 percent, due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Other revenues decreased 29 percent, or $78 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

The Company's **operating expenses** increased 3.2 percent, or $140 million. American's cost per ASM increased 0.4 percent to 11.30 cents. **Wages, salaries and benefits** increased 20.8 percent, or $340 million, primarily due to contractual wage rate and seniority increases that are built into the Company's labor contracts. In addition, the Company experienced increases in its pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 25.8 percent, or $173 million, due primarily to a 23.3 percent decrease in the Company's average price per gallon of fuel. **Other rentals and landing fees** increased 13.6 percent, or $32 million, due to higher facilities rent and landing fees across American's system. **Aircraft rentals** increased $79 million, or 56.4 percent, due primarily to the addition of TWA aircraft. **Commissions to agents** decreased 28.8 percent, or $61 million, due primarily to an 11.5 percent decrease in passenger revenues and a decrease in the percentage of commissionable transactions. **Other operating expenses** decreased 10.8 percent, or $87 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and credit card fees, which were partially offset by higher insurance and security costs.

Other income (expense), historically a net expense, increased $60 million due to the following: **Interest income** decreased 18.2 percent, or $4 million, due primarily to decreases in interest rates. **Interest expense** increased $51 million, or 67.1 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $19 million, or 48.7 percent, due primarily to a decrease in purchase deposits for flight equipment. **Related party interest – net** decreased $16 million due primarily to higher receivable balances from affiliated entities versus the first quarter of 2001.

The effective tax rate for the three months ended March 31, 2002 was impacted by a $27 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did, however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to exist before being utilized by the Company, resulting in this charge.

AIRCRAFT INFORMATION

As of March 31, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 12 Boeing 777-200ERs, nine Boeing 767-300ERs and one Boeing 757-200 aircraft. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $375 million during the remainder of 2002, $1 billion in 2003, $500 million in 2004 and an aggregate of approximately $1.3 billion in 2005 through 2008.

OTHER INFORMATION

In addition to the Company's approximately $2.3 billion in cash and short-term investments as of March 31, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $100 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks (in April 2002, AMR Corporation received approximately $393 million related to the utilization of its remaining 2001 NOL), (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, (viii) unsecured borrowings, and (ix) borrowings backed by federal loan guarantees as provided under the Act. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until May 19, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association contract further limits the number of ASMs and block hours flown by American's regional carrier partners when American pilots are on furlough. As AMR Eagle continues to accept previously ordered regional jets, this will cause the ASM cap to be reached sometime in the first half of 2002, necessitating actions to comply with that cap. American is working with its regional partners to ensure that it is in compliance with this provision. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in AMR Corporation's 2001 Form 10-K. In addition, American is removing its code from flights of the American Connection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of all these actions will enable it to comply with the ASM cap through 2002 and for sometime beyond.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended March 31,	
	2002	2001
Earnings (loss):		
Loss before income taxes	$ (814) B	$ (44) B
Add: Total fixed charges (per below)	388 E	286 E
Less: Interest capitalized	20 B	39 B
Total earnings (loss)	$ (446) E	$ 203 E
Fixed charges:		
Interest	$ 127 C	$ 87 C
Portion of rental expense representative of the interest factor	260 G	198 G
Amortization of debt expense	1 C	1 C
Total fixed charges	$ 388 E	$ 286 E
Coverage deficiency	$ 834 E	$ 83 E

Note: In April 2001, the Board of Directors of American approved the guarantee by ~~American of~~ AMR's existing debt obligations. As ~~of March 31,~~ 2002, this guarantee covered approximately $634 million of unsecured debt and approximately $573 million of secured debt. The impact of these ~~unconditional~~ guarantees is not included in the above computation.

D

Exhibit F

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Three Months Ended June 30, 2002 and 2001

Summary AMR Corporation's (AMR or the Company) **net loss** during the second quarter of 2002 was $495 million, or $3.19 per share, as compared to a net loss of $507 million, or $3.29 per share for the same period in 2001. AMR's **operating loss** of $601 million decreased by $159 million compared to the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, Trans World Airlines LLC (TWA LLC, a wholly owned subsidiary of AMR) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the three month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. All references to American Airlines, Inc. include the operations of TWA LLC since April 10, 2001 (collectively, American). AMR's second quarter 2001 results include: (i) a $685 million charge ($430 million after-tax, or $2.79 per share) related to the writedown of the carrying value of its Fokker 100, Saab 340 and ATR-42 aircraft and related rotables in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (see footnote 8 to the condensed consolidated financial statements), and (ii) a $45 million gain ($29 million after-tax, or $0.19 per share) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's second quarter 2002 revenues were down significantly quarter-over-quarter. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,104 million, or 19.8 percent, in the second quarter of 2002 as compared to the same period last year. American's **passenger revenues** decreased by 19.3 percent, or $898 million in the second quarter of 2002 from the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 11.9 percent, to 8.47 cents, on a capacity decrease of 8 percent, to 32 billion available seat miles (ASMs). International RASM decreased to 8.67 cents, or 5 percent, on a capacity decrease of 16.2 percent. The decrease in international RASM was due to an 8.6 percent and 3.1 percent decrease in Latin American and European RASM, respectively, slightly offset by a 3.2 percent increase in Pacific RASM. The decrease in international capacity was driven by a 33.9 percent, 16.2 percent and 12.3 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 15.9 percent or $65 million. AMR Eagle's traffic increased 2.8 percent while capacity decreased 5 percent, to approximately 1.6 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $48 million, or 25.3 percent, primarily due to the same reasons as noted above.

Other revenues decreased 27.4 percent or $93 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 19.9 percent, or $1,263 million. American's **cost per ASM** increased 0.5 percent to 10.78 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** remained flat quarter-over-quarter, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 22.1 percent, or $186 million, due primarily to an 11.6 percent decrease in the Company's fuel consumption and a 9.4 percent decrease in the Company's average price per gallon of fuel. **Food service** decreased 17.4 percent, or $38 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 40.4 percent, or $105 million, due primarily to a 19.1 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $685 million related to the writedown of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables during the second quarter of 2001 (see footnote 8 to the condensed consolidated financial statements). **Other operating expenses** decreased 19.3 percent, or $196 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $86 million due to the following: **Interest income** decreased 25 percent, or $6 million, due primarily to decreases in interest rates. **Interest expense** increased $32 million, or 24.2 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $16 million, or 42.1 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased 86.5 percent, or $32 million, due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption.

The effective tax rate for the three months ended June 30, 2002 was impacted by a $30 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

RESULTS OF OPERATIONS (Continued)

For the Six Months Ended June 30, 2002 and 2001

Summary AMR's **net loss** for the six months ended June 30, 2002 was $1,070 million, or $6.90 per share, as compared to a net loss of $550 million, or $3.58 per share, for the same period in 2001. AMR's **operating loss** for the six months ended June 30, 2002 was $1,330 million, compared to an operating loss of $764 million for the same period in 2001. The Company's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, TWA LLC purchased substantially all of the assets and assumed certain liabilities of TWA. Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the six month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. In addition, AMR's 2001 results include: (i) a $685 million charge ($430 million after-tax, or $2.79 per share) related to the writedown of the carrying value of its Fokker 100, Saab 340 and ATR-42 aircraft and related rotables, and (ii) a $45 million gain ($29 million after-tax, or $0.19 per share) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,728 million or 16.7 percent, in 2002 versus the same period in 2001. American's **passenger revenues** decreased by 15.7 percent, or $1,349 million in 2002 as compared to the same period in 2001. American's domestic RASM decreased 13.4 percent, to 8.58 cents, on a capacity decrease of 0.4 percent, to 61.3 billion ASMs. International RASM decreased to 8.67 cents, or 7.7 percent, on a capacity decrease of 14 percent. The decrease in international RASM was due to a 10.2 percent and 7.9 percent decrease in Latin American and European RASM, respectively, slightly offset by a 5.6 percent increase in Pacific RASM. The decrease in international capacity was driven by a 36.4 percent, 15.2 percent and 8.2 percent reduction in Pacific, European and Latin American ASMs, respectively.

AMR Eagle's **passenger revenues** decreased 14.9 percent, or $114 million. AMR Eagle's traffic increased 4.7 percent while capacity decreased 3.2 percent, to approximately 3.2 billion ASMs. As with American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo **revenues** decreased $90 million or 24.6 percent, primarily due to the same reasons as noted above.

Other revenues decreased 27.6 percent, or $175 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 10.5 percent, or approximately $1,162 million. American's **cost per ASM** increased by 0.5 percent to 11.03 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** increased 8.6 percent, or $334 million, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 23.6 percent, or $366 million, due primarily to a 16.1 percent decrease in the Company's average price per gallon of fuel and a 6.1 percent decrease in the Company's fuel consumption. **Aircraft rentals** increased $66 million, or 17.6 percent, due primarily the addition of TWA aircraft. **Food service** decreased 12.9 percent, or $52 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 34.7 percent, or $168 million, due primarily to a 15.7 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $685 million related to the writedown of the carrying value of the Company's Fokker 100, Saab 340 and ATR-42 aircraft and related rotables during the second quarter of 2001. **Other operating expenses** decreased 15.4 percent, or $296 million due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $167 million due to the following: **Interest income** decreased 43.8 percent or $28 million, due primarily to decreases in interest rates. **Interest expense** increased $79 million, or 31.5 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $35 million, or 44.3 percent, due primarily to a decrease in purchase deposits for flight equipment. **Miscellaneous-net** decreased $25 million due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption and the write-down of certain investments held by the Company during the first quarter of 2001.

The effective tax rate for the six months ended June 30, 2002 was impacted by a $57 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of NOLs. This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities in the six month period ended June 30, 2002 was $86 million, a decrease of $799 million over the same period in 2001, due primarily to an increase in the Company's net loss. Included in net cash provided by operating activities during the first six months of 2002 was approximately $658 million received by the Company as a result of the utilization of its 2001 NOL's. Capital expenditures for the first six months of 2002 were $1,113 million, and included the acquisition of seven Boeing 757-200s, three Boeing 777-200ERs, 15 Embraer 140s and four Bombardier CRJ-700 aircraft. These capital expenditures were financed primarily through secured mortgage and debt agreements. Proceeds from the sale of equipment and property of $162 million include the proceeds received upon delivery of three McDonnell Douglas MD-11 aircraft to FedEx.

As of June 30, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 11 Boeing 777-200ERs, nine Boeing 767-300ERs, 109 Embraer regional jets and 20 Bombardier CRJ-700s. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $505 million during the remainder of 2002, $1.5 billion in 2003, $1.1 billion in 2004 and an aggregate of approximately $2.1 billion in 2005 through 2008.

In June 2002, Standard & Poor's downgraded the credit ratings of AMR and American, and the credit ratings of a number of other major airlines. The long-term credit ratings of AMR and American were removed from Standand & Poor's Credit Watch with negative implications and were given a negative outlook. Any additional reductions in AMR's or American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing needs.

In addition to the Company's approximately $2.6 billion in cash and short-term investments as of June 30, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $40 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks, (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, and (viii) unsecured borrowings. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

Pursuant to the Act, the Government made available to air carriers, subject to certain conditions, up to $10 billion in federal government guarantees of certain loans. American did not seek such loan guarantees.

OTHER INFORMATION

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until August 17, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association (APA) contract freezes the number of ASMs and block hours flown on American's two letter marketing code by American's regional carrier partners when American pilots are on furlough (the ASM cap). As AMR Eagle continues to accept previously ordered regional jets, this ASM cap would be reached sometime in 2002, necessitating actions to insure compliance with the ASM cap. American is working with its regional partners to accomplish this. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition, American is removing its code from flights of the AmericanConnection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of these actions will enable it to comply with this ASM cap through 2002 and for sometime beyond.

In addition, another provision in the current APA contract limits the total number of regional jets with more than 44 seats flown under the American code by American's regional carrier partners to 67 aircraft. Similar to the above, as AMR Eagle continues to accept previously ordered Bombardier CRJ aircraft, this cap would be reached in early 2003. In order to ensure American remains in compliance with this provision, AMR Eagle has reached an agreement in principle to dispose of 14 Embraer 145 aircraft. Ultimately, these airplanes will be acquired by Trans States Airlines, an AmericanConnection carrier. Trans States Airlines will operate these aircraft under its two letter airline code and expects to deploy these aircraft at its St. Louis hub where it feeds American. The potential transaction still requires the consent of certain third parties, including the companies financing these aircraft, and is subject to the negotiation of final documentation.

B

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for AMR, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. During the second quarter of 2002, the Company completed the first step of its impairment analysis related to its $1.4 billion of goodwill and determined the Company's net book value to be in excess of the Company's fair market value at January 1, 2002, using AMR as the reporting unit for purposes of the fair value determination. As a result, the Company is in the process of completing the second step of the impairment analysis which will allocate the newly determined fair value of AMR to each of its assets and liabilities. This allocation is expected to be completed during the third or fourth quarter of 2002 and will likely result in the Company recording a one-time, non-cash pre-tax charge of up to $1.4 billion to write-down AMR's goodwill. Such charge would be nonoperational in nature and would be reflected as a cumulative effect of an accounting change in the consolidated statements of operations.

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2002	2001	2002	2001
Earnings:					
Loss before income taxes	B	$ (720)	$ (793)	$ (1,583)	$ (850)
Add: Total fixed charges (per below)	E	435	423	875	754
Less: Interest capitalized	B	22	38	44	79
Total loss	E	$ (307)	$ (408)	$ (752)	$ (175)
Fixed charges:					
Interest, including interest capitalized	C	$ 156	$ 126	$ 316	$ 240
Portion of rental expense representative of the interest factor	G	270	290	542	502
Amortization of debt expense	C	9	7	17	12
Total fixed charges	E	$ 435	$ 423	$ 875	$ 754
Coverage deficiency		$ 742	$ 831	$ 1,627	$ 929

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2002 and 2001

Summary American's **net loss** for the six months ended June 30, 2002 was $1,028 million as compared to a net loss of $489 million for the same period in 2001. American's **operating loss** for the six months ended June 30, 2002 was $1,353 million, compared to an operating loss of $713 million for the same period in 2001. American's 2002 results continue to be adversely impacted by the September 11, 2001 terrorist attacks and the resulting effect on the economy and the air transportation industry. On April 9, 2001, Trans World Airlines LLC (TWA LLC, a wholly owned subsidiary of AMR Corporation) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the six month period ended June 30, 2002 whereas for 2001 the results of TWA LLC were included only for the period April 10, 2001 through June 30, 2001. All references to American Airlines, Inc. include the operations of TWA LLC since April 10, 2001 (collectively, American). In addition, American's 2001 results include: (i) a $586 million charge ($368 million after-tax) related to the writedown of the carrying value of its Fokker 100 aircraft and related rotables in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (see footnote 8 to the condensed consolidated financial statements), and (ii) a $45 million gain ($29 million after-tax) from the settlement of a legal matter related to the Company's 1999 labor disruption.

Although traffic has continued to increase on significantly reduced capacity since the events of September 11, 2001, the Company's 2002 revenues were down significantly year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines, the geographic distribution of the Company's network and reduced fares. In total, the Company's **revenues** decreased $1,608 million, or 16.9 percent, in 2002 versus the same period in 2001. American's **passenger revenues** decreased by 15.7 percent, or $1,349 million in 2002 as compared to the same period in 2001. American's domestic revenue per available seat mile (RASM) decreased 13.4 percent, to 8.58 cents, on a capacity decrease of 0.4 percent, to 61.3 billion available seat miles (ASMs). International RASM decreased to 8.67 cents, or 7.7 percent, on a capacity decrease of 14 percent. The decrease in international RASM was due to a 10.2 percent and 7.9 percent decrease in Latin American and European RASM, respectively, slightly offset by a 5.6 percent increase in Pacific RASM. The decrease in international capacity was driven by a 36.4 percent, 15.2 percent and 8.2 percent reduction in Pacific, European and Latin American ASMs, respectively.

Cargo **revenues** decreased $88 million or 24.3 percent primarily due to the same reasons as noted above.

Other revenues decreased 29.3 percent, or $171 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

RESULTS OF OPERATIONS (Continued)

The Company's **operating expenses** decreased 9.5 percent, or approximately $968 million. American's **cost per ASM** increased by 0.5 percent to 11.03 cents, excluding the impact of the second quarter 2001 asset impairment charge. **Wages, salaries and benefits** increased 9.6 percent, or $349 million, reflecting (i) a decrease in the average number of equivalent employees, somewhat offset by higher salaries, and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. **Aircraft fuel** expense decreased 24 percent, or $354 million, due primarily to a 16.1 percent decrease in the Company's average price per gallon of fuel and a 6.7 percent decrease in the Company's fuel consumption. **Aircraft rentals** increased $69 million, or 19.3 percent, due primarily the addition of TWA aircraft. **Food service** decreased 12.8 percent, or $51 million, due primarily to the Company's reduced operating schedule and change in level of food service. **Commissions to agents** decreased 34.2 percent, or $156 million, due primarily to a 15.7 percent decrease in passenger revenues and commission structure changes implemented in March 2002. **Special charges** of $586 million related to the writedown of the carrying value of the Company's Fokker 100 aircraft and related rotables during the second quarter of 2001 (see footnote 8 to the condensed consolidated financial statements). **Other operating expenses** decreased 15.3 percent, or $264 million, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, credit card and booking fees, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

Other income (expense) increased $124 million due to the following: **Interest income** decreased 18.2 percent, or $8 million due primarily to decreases in interest rates. **Interest expense** increased $81 million, or 47.9 percent, resulting primarily from the increase in the Company's long-term debt. **Interest capitalized** decreased $33 million, or 44.6 percent, due primarily to a decrease in purchase deposits for flight equipment. **Related party interest – net** increased $32 million due primarily to higher receivable balances from affiliated entities versus 2001. **Miscellaneous-net** decreased $34 million due primarily to a $45 million gain recorded during the second quarter of 2001 from the settlement of a legal matter related to the Company's 1999 labor disruption.

The effective tax rate for the six months ended June 30, 2002 was impacted by a $57 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the existing law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however, result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

OTHER INFORMATION

Net cash used for operating activities in the six month period ended June 30, 2002 was $53 million a decrease of $785 million over the same period in 2001, due primarily to an increase in the Company's net loss. Included in net cash used for operating activities during the first six months of 2002 was approximately $658 million received by the Company as a result of the utilization of its 2001 NOL's. Capital expenditures for the first six months of 2002 were $846 million and included the acquisition of seven Boeing 757-200s and three Boeing 777-200ER aircraft. These capital expenditures were financed primarily through secured mortgage agreements. Proceeds from the sale of equipment and property of $160 million include the proceeds received upon delivery of three McDonnell Douglas MD-11 aircraft to FedEx.

As of June 30, 2002, the Company had commitments to acquire the following aircraft: 47 Boeing 737-800s, 11 Boeing 777-200ERs and nine Boeing 767-300ERs. Deliveries of these aircraft are scheduled to continue through 2008. Payments for these aircraft are expected to be approximately $210 million during the remainder of 2002, $890 million in 2003, $390 million in 2004 and an aggregate of approximately $1.5 billion in 2005 through 2008.

In June 2002, Standard & Poor's downgraded the credit ratings of American, and the credit ratings of a number of other major airlines. The long-term credit ratings of American were removed from Standand & Poor's Credit Watch with negative implications and were given a negative outlook. Any additional reductions in American's credit ratings could result in increased borrowing costs to the Company and might limit the availability of future financing needs.

In addition to the Company's approximately $2.5 billion in cash and short-term investments as of June 30, 2002, the Company has available a variety of future financing sources, including, but not limited to: (i) the receipt of the remainder of the U.S. Government grant authorized by the Air Transportation Safety and System Stabilization Act (the Act), which is estimated to be in excess of $40 million, (ii) additional secured aircraft debt, (iii) the availability of the Company's $1 billion credit facility, (iv) sale-leaseback transactions of owned property, including aircraft and real estate, (v) the recovery of past federal income taxes paid as a result of a provision in the recently passed economic stimulus package regarding NOL carrybacks, (vi) tax-exempt borrowings for airport facilities, (vii) securitization of future operating receipts, and (viii) unsecured borrowings. No assurance can be given that any of these financing sources will be available on terms acceptable to the Company. However, the Company believes it will meet its current financing needs.

Pursuant to the Act, the Government made available to air carriers, subject to certain conditions, up to $10 billion in federal government guarantees of certain loans. American did not seek such loan guarantees.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general. Pursuant to authority granted in the Act, the Government has supplemented the commercial war-risk insurance until August 17, 2002 with a third party liability policy to cover losses to persons other than employees or passengers for renewable 60-day periods. In the event the insurance carriers reduce further the amount of insurance coverage available or the Government fails to renew war-risk insurance, the Company's operations and/or financial position, results of operations or cash flows would be adversely impacted.

As discussed in the Company's 2001 Form 10-K, a provision in the current Allied Pilots Association (APA) contract freezes the number of ASMs and block hours flown on American's two letter marketing code by American's regional carrier partners when American pilots are on furlough (the ASM cap). As AMR Eagle continues to accept previously ordered regional jets, this ASM cap would be reached sometime in 2002, necessitating actions to insure compliance with the ASM cap. American is working with its regional partners to accomplish this. Actions currently being taken and considered by AMR Eagle to reduce its capacity are discussed in the Company's 2001 Form 10-K. In addition, American is removing its code from flights of the AmericanConnection carriers, which are independent carriers that provide feed to American's St. Louis hub. American believes that the combination of these actions will enable it to comply with this ASM cap through 2002 and for sometime beyond.

In addition, another provision in the current APA contract limits the total number of regional jets with more than 44 seats flown under the American code by American's regional carrier partners to 67 aircraft. Similar to the above, as AMR Eagle continues to accept previously ordered Bombardier CRJ aircraft, this cap would be reached in early 2003. In order to ensure American remains in compliance with this provision, AMR Eagle has reached an agreement in principle to dispose of 14 Embraer 145 aircraft. Ultimately, these airplanes will be acquired by Trans States Airlines, an AmericanConnection carrier. Trans States Airlines will operate these aircraft under its two letter airline code and expects to deploy these aircraft at its St. Louis hub where it feeds American. The potential transaction still requires the consent of certain third parties, including the companies financing these aircraft, and is subject to the negotiation of final documentation.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for the Company, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. During the second quarter of 2002, the Company completed the first step of its impairment analysis related to its $1.3 billion of goodwill and determined the Company's net book value to be in excess of the Company's fair market value at January 1, 2002, using American as the reporting unit for purposes of the fair value determination. As a result, the Company is in the process of completing the second step of the impairment analysis which will allocate the newly determined fair value of American to each of its assets and liabilities. This allocation is expected to be completed during the third or fourth quarter of 2002 and will likely result in the Company recording a one-time, non-cash pre-tax charge of up to $1.3 billion to write-down American's goodwill. Such charge would be nonoperational in nature and would be reflected as a cumulative effect of an accounting change in the consolidated statements of operations.

Exhibit 12

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

		Three Months Ended June 30,		Six Months Ended June 30,	
		2002	2001	2002	2001
Earnings:					
Loss before income taxes	B	$ (706)	$ (712)	$ (1,520)	$ (756)
Add: Total fixed charges (per below)	E	382	381	770	668
Less: Interest capitalized	B	21	35	41	74
Total loss	E	$ (345)	$ (366)	$ (791)	$ (162)
Fixed charges:					
Interest, including interest capitalized	C	$ 123	$ 103	$ 250	$ 190
Portion of rental expense representative of the interest factor	G	258	277	518	476
Amortization of debt expense	C	1	1	2	2
Total fixed charges		$ 382	$ 381	$ 770	$ 668
Coverage deficiency	E	$ 727	$ 747	$ 1,561	$ 830

Note: In April 2001, the Board of Directors of American approved the guarantee by American of AMR's existing debt obligations. As of June 30, 2002, this guarantee covered approximately $634 million of unsecured debt and approximately $573 million of secured debt. The impact of these unconditional guarantees is not included in the above computation.

D

CERTIFICATE AS TO INSURANCE

I, the undersigned representative of American Airlines, Inc. ("American"), **DO HEREBY CERTIFY** on behalf of American that (i) American has obtained insurance at least sufficient to satisfy the requirements of Section 4.4 of the IDA Lease Agreement, dated as of July 1, 2002, by and between the New York City Industrial Development Agency and American and (ii) that certificates of insurance covering such risks are attached hereto as Exhibit A.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of July, 2002.

AMERICAN AIRLINES, INC.

By: Leslie M Benners
Name: Leslie M. Benners
Title: Managing Director
Corporate Finance and
Banking

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY): 7/29/02

PRODUCER

Aon Risk Services, Inc. of New York
685 Third Avenue
New York, NY 10017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED

American Airlines, Inc.
P.O. Box 300747 JFk Airport Station
Jamaica, NY 11430

COMPANIES AFFORDING COVERAGE

COMPANY A	Commerce and Industry
COMPANY B	
COMPANY C	
COMPANY D	
COMPANY E	

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICTED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES, LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

CO LT	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIREATION DATE (MM/DD/YY)	LIMIT	
	GENERAL LIABILITY					
	COMMERCIAL GENERAL LIABILITY				GENERAL AGGREGATE	$
	CLAIMS MADE / OCCUR				PRODUCTS-COMP/OP AGG	$
	OWNER'S & CONTRACTOR'S PROT				PERSONAL & ADV INJURY	$
					EACH OCCURRENCE	$
					FIRE DAMAGE (Any one person)	$
					MED EXPERIENCE (Any one person)	$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	$
	ALL OWNED AUTOS				BODILY INJURY (PER PERSON)	$
	SCHEDULED AUTOS				BODILY INJURY (PER ACCIDENT)	$
	HIRED AUTOS				PROPERTY DAMAGE	$
	NON-OWNED AUTOS					
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELL A FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
	WORKERS CO MPENSATION AND EMPLOYER'S LIABILITY				WC STATU-TORY LIMIT [ ] OTH	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$
					EL DISEASE-POLICY LIMIT	$
					EL DISEASE-EA EMPLOYEE	$
A	OTHER Pollution and Remediation Legal Liability	PLS 5299193	1/18/00	1/18/10	$25,000,000 per occurrence limit $25,000,000 aggregate limit $250,000 Deductible	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Certificate holder is an additional insured as respects to the above referenced policy for the JFK International Airport, American Airlines, Terminals 8 and 9, Jamaica, NY 11430

CERTIFICATE HOLDER

The Bank of New York
101 Barclay Street
New York, NY 10286

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WITHIN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

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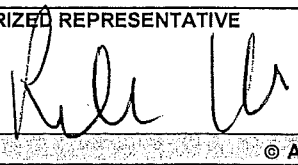

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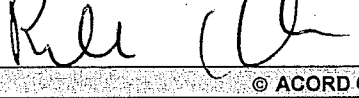

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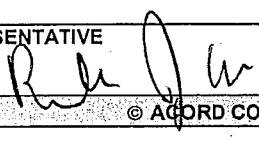

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AmericanAirlines®

Certificate of Insurance No. 5572

This certificate is issued as a matter of information only and confers no rights upon the certificate holder.
This certificate does not amend, extend or alter the coverage afforded by the policies listed below.
Cancellation: Should any of the described policies be cancelled, the issuing company will endeavor to mail 30 days written notice to the below named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company.

NAME AND ADDRESS OF CERTIFICATE HOLDER	NAME AND ADDRESS OF INSURED
New York City Industrial Development Agency 110 William Street New York, NY 10038	AMR CORPORATION and its subsidiaries including **American Airlines, Inc.** P.O. Box 619616 Dallas/Ft. Worth Airport, TX 75261

TYPE OF COVERAGE	LIMITS OF LIABILITY	POLICY PERIOD (MM/DD/YY)	INSURANCE COMPANY AND POLICY NUMBER
A. **AIRCRAFT LIABILITY** in respect of all aircraft owned, leased, or operated by the Named Insured, worldwide.	$100,000,000 Bodily Injury & Property Damage Combined	12/01/2001 to 12/01/2002	SUBSCRIBING INSURERS FOR 100% PARTICIPATION ASSOCIATED AVIATION UNDERWRITERS — SP-6551 VARIOUS INSURERS THROUGH AON GROUP LIMITED, AVIATION — AM0130739 Subscribing Lloyds Underwriters for percentages as on file with Group Limited, Aviation. Subscribing members of Institute of London Underwriters for percentages as on file with Aon Group Limited, Aviation. Subscribing Insurance Companies for percentages as on file with Aon Group Limited Aviation
B. **AIRCRAFT HULL INSURANCE** in respect of all aircraft owned, leased, or operated by the Named Insured, worldwide.			
C. **COMPREHENSIVE GENERAL LIABILITY** in respect of all Ground Operations of the Named Insured, including Premises Operations, Contractual, Products and Completed Operations, Hangarkeepers Liability - in flight.	$100,000,000 Bodily Injury & Property Damage Combined		LA CONCORDE ASSURANCES (Through La Reunion Aerienne) — 1999/67396 AGF M.A.T. per ASSURANCE FRANCE AVIATION — 01.0785
D. **EXCESS LIABILITY** (per occurrence and in the aggregate) in respect of all Owned, Hired and Non-Owned Automobiles, worldwide, Coverage G (Commercial General Liability, non-aviation operations), and Employers' Liability.	$25,000,000		NEW YORK MARINE & GENERAL INSURANCE COMPANY (Through Mutual Marine Office) — MMO-16116AV501 AXA CORPORATE SOLUTIONS AVIATION — 01.46
E. **EXCESS CARGO LEGAL LIABILITY & SHIPPERS INTEREST**	$5,000,000 excess of $5,000,000		AVION ASSURANCE LIMITED — 1001-01 AMERICAN HOME ASSURANCE COMPANY — HL3387434-04 UNITED STATES AVIATION UNDERWRITERS, INC. For and on behalf of the Member Companies of the United States Aircraft Insurance Group — SIHL1-213A XL SPECALITY INSURANCE COMPANY — PXLA37000086-01
F. **COMMERCIAL GENERAL LIABILITY** in respect of non-aviation operations of the Named Insured including Premises and Operations and Contractual.			
G. **COMPREHENSIVE AUTOMOBILE LIABILITY** in respect of all Owned, Leased, Hired and Non-Owned Automobiles - USA.	$1,000,000 Combined Single Limit Each Accident	12/01/2001-12/01/2002	National Union Fire Insurance Company — RMCA5273562 American Home Insurance — RMCA5273563
H. **PROPERTY INSURANCE** including replacement cost coverage.	$500,000,000 Any One Occurrence	6/01/2002-6/01/2003	Factory Mutual Ins. Co. — JT268
I. **CARGO LEGAL LIABILITY & SHIPPERS INTEREST**	$5,000,000 Any One Aircraft Any One Location	8/01/2001-8/01/2002	Federal Insurance Company — 658-31-59
J. **WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY**	Bodily Injury by Accident $1,000,000 Each Accident Bodily Injury by Accident $1,000,000 Policy Limit Bodily Injury by Disease $1,000,000 Each Employee	8/01/2001-8/01/2002	American Home Assurance 4066929 & 4066931 Insurance Co. State of Pennsylvania 4066933 AI South Insurance Company 4066932 Illinois National Ins. Co. 4066930 & 40669355

Each of the above Insurers, Individually, has authorized Aon Risk Services of Texas, Inc. to issue this certificate on its behalf. Aon Risk Services of Texas, Inc. is not an insurer and has no liability of any sort under the above policies, nor as a result of the issuance of this Certificate. **The policy is subject to Associated Aviation Underwriters' Electronic Date Recognition Exclusion and Electronic Date Change Recognition Exclusion Coverage Endorsement.**

SEVERAL LIABILITY NOTICE - The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligation.

Description of Operations
Note: Coverage for vehicles operated on airport premises is provided under Coverage C, Comprehensive General Liability. Liquor Liability coverage is provided under coverage C, Comprehensive General Liability.
Reference Special Facility Revenue Bonds for John F. Kennedy International Airport Project.

Producer: Aon Risk Services of Texas, Inc.
2711 North Haskell Avenue, Suite 800
Dallas, Texas 75204

Date Issued: July 24, 2002

Ilana L. Kobinson

By: _____
Name

ATTACHMENTS TO CERTIFICATE NO. 5572

2b. Additional Insured
As required by contract, but subject to the terms, conditions and exclusions of the policy, New York City Industrial Development Agency, The City of New York, and The Bank of New York are included as additional insured(s) as respects operations performed by or for the named insured for all coverages evidenced on this certificate except Workers' Compensation and Cargo.

3b. Cancellation Clause
In the event the Aircraft Liability, Comprehensive General Liability, Excess Liability or Excess Cargo Legal Liability & Shipper's Interest insurance described on this certificate is cancelled, non-renewed or there is a reduction in coverage/material change which effects the interest of the certificate holder, or if this insurance is allowed to lapse for non-payment of premium, the insurers agree to provide ten (10) days prior written notice of such cancellation, change or lapse to the certificate holder.

3a. Cancellation Clause
Should the Comprehensive Automobile Liability and Property insurance described on this certificate of insurance be cancelled, non-renewed or there is a reduction in coverage/material change before the expiration date thereof, the issuing company will mail ten (10) days prior written notice of such cancellation, change or lapse to the certificate holder.

8. Contractual Liabilities
Such coverages as is afforded by the policies includes contractual liabilities and insurance requirements assumed under the reference contract to the extent that insurance is afforded under the policy.

4. Cross Liability
The inclusion of more than one corporation, person, organization, firm or entity as Insured under the policies shall not in any way affect the rights of any such corporation, person, organization, firm or entity either as respects any claim, demand, suit or judgement made, brought or recovered by or in favor of any other insured or by or in favor of any employee or such other insured. The policies shall protect each corporation person, organization, firm or entity in the same manner, as though separate policies had been issued to each; but nothing herein shall operate to increase the liability of the insurers as set forth elsewhere in the policies beyond the amount or amounts for which the insurers would have been liable if only one person or interest had been included as an additional insured.

AMR CORPORATION.

SECRETARY'S CERTIFICATE

The undersigned, Charles D. MarLett, certifies that he is the Corporate Secretary of AMR Corporation, a Delaware corporation (the "Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Company, and with reference to the Bond Purchase Agreement (the "Bond Purchase Agreement") dated July 25, 2002 regarding the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A and 2002B, among the New York City Industrial Development Agency, American Airlines, Inc., the Company and Salomon Smith Barney Inc., on behalf of the Underwriters (capitalized terms used herein without definition have the meanings specified in the Bond Purchase Agreement), further certifies that:

1. Attached hereto as Exhibit A is a true and complete copy of the Composite Certificate of Incorporation of the Company that is in full force and effect as of the date hereof.

2. Attached hereto as Exhibit B is a true and complete copy of the Bylaws of the Company as the same have been in effect at all times since April 2, 2002, to and including the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of the Certificate, dated July 25, 2002, of the Secretary of State of the State of Delaware as to the valid existence, good standing and franchise tax status of the Company and listing all charter documents on file as of such date.

4. Attached hereto as Exhibit D are true and correct copies of certain resolutions duly adopted by the Board of Directors of the Company at meetings of the Board of Directors duly called and held on January 17, 2001 and January 20, 1999, respectively. At each such meeting a quorum was present and acting throughout, and such resolutions are the only resolutions adopted by the Board of Directors with respect to the matters referred to therein and have not been in any way amended, annulled, rescinded or revoked and are in full force and effect.

5. Attached hereto as Exhibit E is a true and complete copy of the Certificate of the Corporate Secretary of the Company as to the incumbency and signature of certain officers of the Company, such certificate countersigned by another officer of the Company whose specimen signature appears therein.

WITNESS the seal of the Company and the signature of the undersigned the 31st day of July, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

EXHIBIT A

COMPOSITE

Certificate of Incorporation

of

AMR CORPORATION

As Amended

Effective May 27, 1993

COMPOSITE
CERTIFICATE OF INCORPORATION
OF
AMR CORPORATION

FIRST: The name of the corporation is AMR Corporation.

SECOND: The registered office or place of business of the corporation in the State of Delaware is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 170,000,000 shares, of which 20,000,000 shares shall be shares of Preferred Stock without par value (hereinafter called "Preferred Stock") and 150,000,000 shares shall be shares of Common Stock of the par value of $1.00 per share (hereinafter called "Common Stock").

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock shall be governed by the following provisions:

1. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in the Certificate of Incorporation, including (but without limiting the generality thereof) the following:

(a) The designation of such series.

(b) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividend shall be cumulative or non-cumulative.

(c) Whether the shares of such series shall be subject to redemption by the corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purpose or redemption of the shares of such series.

(e) Whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of such series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(h) The rights of the holders of the shares of such series upon dissolution of, or upon the distribution of assets of, the corporation.

2. Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever. Any amendment to the Certificate of Incorporation

which shall increase or decrease the authorized stock of any class or classes may be adopted by the affirmative vote of the holders of a majority of the outstanding shares of the voting stock of the corporation.

3. No holder of shares of any class of stock of the corporation shall be entitled as a matter of right, to any preemptive right to subscribe to any additional issues of stock of the corporation of any class, or any securities convertible into any class of stock of the corporation.

4. The corporation may from time to time issue and dispose of any of the authorized and unissued shares of Preferred Stock for such consideration as may be fixed from time to time by the Board of Directors, or of Common Stock for such consideration, not less than its par value, as may be fixed from time to time by the Board of Directors, without action by the stockholders. The Board of Directors may provide for payment therefor to be received by the corporation in cash, property, or services. Any and all such shares of the Preferred or Common Stock of the corporation the issuance of which has been so authorized, and for which consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon.

FIFTH: The names and mailing addresses of the incorporator is as follows:

Connie M. Friesen
299 Park Avenue
New York, New York 10171

SIXTH: The corporation is to have perpetual existence.

SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever, and no action of the corporation shall be construed as a constructive assent to such liability.

EIGHTH: The business of the corporation shall be managed by a Board of Directors.

1. All corporate powers of the corporation shall be exercised by the Board of Directors, except as otherwise provided by law.

2. Directors need not be stockholders, nor residents of the State of Delaware.

3. The number of directors which shall constitute the whole Board shall be such as from time to time shall be fixed by, or in the manner provided in, the By-Laws, but in no case shall the number be less than three.

4. By-Laws of the corporation for the management of its property, the regulation and government of its affairs, and for the certification and transfer of its stock may originally be adopted by the incorporators. Thereafter, the directors shall have power from time to time to make, alter, or repeal By-Laws, but any By-Laws made by the Board of Directors may be altered, amended, or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment, or repeal is included in the notice of such special meeting.

5. The stockholders and directors may hold their meetings and have an office or offices outside the State of Delaware if the By-Laws so provide.

6. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors which, to the extent provided in said resolution or resolutions or in the By-Laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

7. The Board of Directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book, or document of the corporation except as conferred by statute or as authorized by resolution of the Board of Directors.

8. The Board of Directors shall have power from time to time to fix the amount to be reserved by the corporation over and above its capital stock paid in and to fix and determine and to vary the amount of the working capital of the corporation, and to direct and determine the use and disposition of the working capital and of any surplus or net profits over and above the capital stock paid in.

9. At all meetings of stockholders and at all elections of directors, each holder of capital stock shall have one vote for each share of capital stock registered in his name on the books of the corporation.

10. At all meetings of the stockholders the holders of one-third of the number of shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law.

11. In so far as the same is not contrary to the laws of Delaware, no contract or other transaction between the corporation and any other corporation, association, organization, society, or person shall be affected or invalidated by the fact that any one or more of the directors of this corporation is or are a director or officer, or directors or officers, of such other corporation, association, organization, or society, or by the fact that such other corporation, association, organization, or society, is the owner or holder of any part of the capital stock of this corporation, or is interested in its property, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this corporation or in which this corporation is interested; and no contract, act or transaction of this corporation with any person or persons, firm or corporation, association, organization, or society, shall be affected or invalidated by the fact that any director or directors of this corporation is a party or are parties to or are interested in such contract, act, or transaction, or in any way connected with such person or persons, firm, corporation, organization, association or society, and each and every person who may become a director of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation for the benefit of himself or any firm, corporation, association, organization or society, in which he may be in any wise interested.

12. Any contract, transaction or act of the corporation or of the Board of Directors which shall be ratified by a majority in interest of a quorum of the stockholders of the corporation having voting power at any annual meeting or special meeting called for such purpose shall be as valid and as binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its directors or officers, of their right to proceed with such contract, transaction or action.

NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of the Title 8 of the Delaware Code, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ELEVENTH: No stockholder of the corporation shall have any preemptive or preferential right, nor shall be entitled as such, as a matter or right, to subscribe for or purchase any part of any new or additional issue of stock of the corporation of any class, whether now or hereafter authorized, and whether issued for money or for a consideration other than money, or of any issue of securities convertible into stock.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate in the manner now or hereafter prescribed by statute; and all rights herein conferred upon the stockholders are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned has hereunto set her name this 15th day of February, 1982.

s/Connie M. Friesen
Connie M. Friesen

EXHIBIT B

AMR CORPORATION

BYLAWS

(As amended April 2, 2002)

ARTICLE I

Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

ARTICLE II

Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is

fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors.

The board of directors shall promptly, but in all events within ten (10) days after the date on which the written request for fixing a record date was received by the secretary, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to vote by consent, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken was delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to vote by consent shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where

the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

ARTICLE III

Directors: Number, Election, Etc.

Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time,

pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of

Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.

ARTICLE V

Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

ARTICLE VI

Committees

Section 1. Executive Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee, to consist of three or more members. The chief executive officer plus one other member of the executive committee shall constitute a quorum.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, with the exception of such powers and authority as may be specifically reserved to the board of directors by law or by resolution adopted by the board of directors.

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of three or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the audit committee shall constitute a quorum.

The audit committee shall from time to time review and make recommendations to the board of directors with respect to the selection of independent auditors, the fees to be paid such auditors, the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be specifically delegated to the committee by the board of directors. In this connection the audit committee shall, at its request, meet with representatives of the independent auditors and with the financial officers of the corporation separately or jointly.

Section 3. Compensation/Nominating Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation/nominating

committee, to consist of three or more members of the board of directors, except that no member of the compensation/nominating committee may (i) be an employee or officer of the corporation or (ii) maintain a relationship with the Corporation that would cause such member to be ineligible for membership on the compensation/nominating committee pursuant to rules or regulations adopted by the Securities and Exchange Commission, the Internal Revenue Service or any other governmental agency. A majority of the members of the compensation/nominating committee shall constitute a quorum.

The compensation/nominating committee shall from time to time review and make recommendations to the board of directors with respect to the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers, other remuneration plans such as incentive compensation, deferred compensation and stock option plans, directors' compensation and benefits. The compensation/nominating committee shall also make recommendations to the board of directors (i) concerning suitable candidates for election to the board, (ii) regarding assignments to board committees, and (iii) with respect to promotions, changes and succession among the senior management of the corporation and such other matters as may be specifically delegated to the committee by the board of directors.

Section 4. Governance Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a governance committee, to consist of three or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the nominating and governance committee shall constitute a quorum.

The governance committee shall make recommendations to the board of directors concerning the practices and procedures for the proper and efficient management of the board of

directors as determined by the committee. The governance committee shall perform such other duties as may be specifically delegated to the committee by the board of directors.

Section 5. Committee Procedure, Seal.

(a) The executive, compensation/nominating, governance, and audit committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The executive, compensation/nominating, governance, and audit committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence, or disqualification, of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

Section 6. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

ARTICLE VII

Indemnification

Section 1. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action,

suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (l) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper.

(a) Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1 hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section 1 hereof (unless ordered by a court) may be made

by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in

part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section 1 of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII

Officers

Section 1. General. The officers of the corporation shall be the chairman of the board, a vice-chairman, president, a chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may

abolish the office (except that of president, secretary and treasurer), elect an officer to fill such vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.

ARTICLE IX

Duties of Officers

Section 1. Chairman of the Board, Vice-Chairman, President, Chief Operating Officer. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice-chairman and the chief operating officer shall perform such duties as shall be assigned to each by the board of directors or the chairman of the board. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of (a) chairman of the board and president or (b) president and chief operating officer may be filled by the same individual.

Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as

shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.

Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman of the board, the president shall assume his powers and duties while he is absent or so disabled.

ARTICLE X

Stock

Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action

ARTICLE XI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 31st day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be

open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

ARTICLE XII

Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "AMR CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE SIXTEENTH DAY OF FEBRUARY, A.D. 1982, AT 10 O'CLOCK A.M.

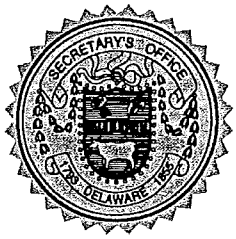
CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "AA INC." TO "AMR CORPORATION", FILED THE TENTH DAY OF MARCH, A.D. 1982, AT 10:20 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10:01 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTIETH DAY OF SEPTEMBER, A.D. 1982, AT 10:02 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-EIGHTH DAY OF JANUARY, A.D. 1983, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRTIETH DAY OF JUNE, A.D. 1983, AT 10 O'CLOCK A.M.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0931981 8310

020474459

AUTHENTICATION: 1902049

DATE: 07-25-02

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SEVENTH DAY OF FEBRUARY, A.D. 1986, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FIRST DAY OF MAY, A.D. 1987, AT 9:45 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SEVENTH DAY OF MAY, A.D. 1987, AT 10:35 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE SECOND DAY OF JUNE, A.D. 1987, AT 9:50 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE NINTH DAY OF JUNE, A.D. 1987, AT 10 O'CLOCK A.M.

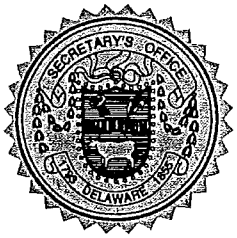
CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FOURTH DAY OF APRIL, A.D. 1989, AT 9 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-FIFTH DAY OF JULY, A.D. 1990, AT 10:20 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE FOURTH DAY OF FEBRUARY, A.D. 1991, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTEENTH DAY OF JANUARY, A.D. 1992, AT 10 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SECOND DAY OF JANUARY, A.D. 1993, AT 10 O'CLOCK A.M.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0931981 8310

AUTHENTICATION: 1902049

020474459

DATE: 07-25-02

Delaware

The First State

CERTIFICATE OF DESIGNATION, FILED THE TWENTY-SECOND DAY OF JANUARY, A.D. 1993, AT 10:01 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRD DAY OF FEBRUARY, A.D. 1993, AT 12:45 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF MAY, A.D. 1993, AT 10:32 O'CLOCK A.M.

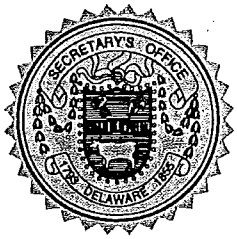
CERTIFICATE OF RETIREMENT, FILED THE TWELFTH DAY OF JANUARY, A.D. 1995, AT 3 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-SIXTH DAY OF MAY, A.D. 1998, AT 12 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

0931981 8310

020474459

AUTHENTICATION: 1902049

DATE: 07-25-02

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
AMR CORPORATION

January 17, 2001

(b) Mr. Horton explained that in 2001 American would improve its facilities at John F. Kennedy International Airport. He said that this project would be financed through tax-exempt bonds, in one or more series, which would carry either a long-term fixed interest rate not to exceed 9% (except during those periods, if any, when such rate is increased by operation of any event risk provisions) or a floating rate. Mr. Horton also explained that the aggregate principal amount of the bonds for this project would not exceed $750 million and that the bonds would be issued for a term not to exceed 45 years. Mr. Horton stated that it would be advantageous to the Corporation if these tax-exempt bonds were guaranteed by the Corporation.

After discussion, on motion made and seconded, the following resolutions were adopted:

> RESOLVED, that the issuance by the Corporation of a guarantee of up to $750 million aggregate principal amount of tax-exempt bonds, in one or more series, to be issued by The New York City Industrial Development Agency or such other governmental authority authorized to issue bonds for improvements at John F. Kennedy International Airport, as approved by the Board of Directors of American Airlines, Inc., be, and it hereby is, approved; and
>
> RESOLVED, that the set of resolutions entitled "General Financing Resolutions" adopted by the Board of Directors on January 20, 1999, as such resolutions may be amended, be, and they hereby are, incorporated by reference in the foregoing resolutions to the extent such resolutions are, or may be, applicable to the transactions contemplated by such resolutions.

RESOLUTIONS OF JANUARY 20, 1999
ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF
AMR CORPORATION

RESOLVED, that the following set of resolutions entitled "General Financing Resolutions" be, and they hereby are, approved and adopted, with the intention that such resolutions be incorporated by reference in the resolutions adopted in connection with, and be applicable to, any financing transaction authorized by the Board of Directors, including, without limitation, shelf registrations, offerings of common stock or preferred stock, offerings of warrants or options, offerings of debt instruments, domestic leveraged lease financings, cross-border lease financings, lease debt instruments, bank credit facilities, bank or other lending arrangements, standby credit facilities, offerings of short-term, medium-term or long-term debt instruments, long-term credit agreements, tax-exempt bond financings, and refinancings, repricings, amendments or modifications of any outstanding financing transactions (each such financing transaction for which the Board of Directors adopts the resolutions set forth below being referred to in such resolutions as a "*Financing Transaction*", and any equity or debt securities, or warrants, options or other securities, instruments, interests, or obligations issued, incurred, sold or offered by or on behalf of the Corporation, whether offered or sold publicly or privately, and whether sold in the United States, solely within one or more foreign countries, or in both the United States and one or more foreign countries, in connection with any Financing Transaction being referred to in such resolutions as "*Securities*").

GENERAL FINANCING RESOLUTIONS

Authorization to Execute and Deliver Agreements

RESOLVED, that the Chairman of the Board and President, any Executive Vice President, any Senior Vice President, the Treasurer and the Corporate Secretary of the Corporation (each, an "*Authorized Officer*") be, and each of them hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, and to deliver, all such agreements and instruments as they or any of them may deem necessary or advisable to effect any Financing Transaction or the issuance or sale of any Securities, including but not limited to one or more participation agreements, lease agreements, equipment trust agreements, trust agreements, purchase agreement assignments, tax

indemnity agreements, registration statements, underwriting or other sales agreements, bond purchase agreements, distribution agreements, issuing agent, paying agent or other agent agreements, exchange rate agreements, dealer agreements, indentures, assumption agreements, option agreements, warrant agreements, guarantees, indemnification agreements, reimbursement agreements, credit agreements, loan agreements, mortgages, security agreements, interest rate, currency, commodity or other swap agreements, refunding agreements, assignment agreements, facilities agreements, securities law undertakings, and amendments or supplements to any existing agreement or instrument, the execution of any such agreement, instrument, amendment or supplement by such person or persons being conclusive evidence of the due authorization and approval thereof by the Corporation.

Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to prepare, execute (personally or by attorney-in-fact) and file or cause to be filed with the Securities and Exchange Commission (the "*Commission*") one or more Registration Statements (each, a "*Registration Statement*") on an appropriate form, including the Prospectuses contained therein (each, a "*Prospectus*"), under the Securities Act of 1933, as amended (the "*1933 Act*"), or one or more amendments (including, without limitation, post-effective amendments) or supplements (including pricing amendments or supplements) to any Registration Statement or Prospectus previously filed under the 1933 Act, covering the offering of any of the Securities, each such Registration Statement to contain such information as may be approved by the Authorized Officer or Authorized Officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval by the Corporation of such Registration Statement, provided that a draft, which may omit exhibits, of each such Registration Statement be furnished to the Board of Directors at a meeting thereof, or be otherwise distributed to the members of the Board of Directors for review, prior to the initial filing of such Registration Statement with the Commission;

RESOLVED, that the officers and directors of the Corporation who may be required to sign and execute a Registration Statement or any amendment thereto or document in connection therewith (whether on behalf of the Corporation, or as an officer or director of the

Corporation, or otherwise) be, and each of them hereby is, authorized to execute a power of attorney appointing any Authorized Officer his or her true and lawful attorney or attorneys to sign in his or her name, place and stead in any such capacity such Registration Statement and any and all amendments (including post-effective amendments) thereto and documents in connection therewith, and to file the same with the Commission, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in the name and on behalf of each of said officers and directors who shall have executed such a power of attorney, every act whatsoever which such attorneys, or any of them, may deem necessary or advisable to be done in connection therewith as fully and to all intents and purposes as such officers or directors might or could do in person; and

RESOLVED, that Anne H. McNamara, Senior Vice President and General Counsel of the Corporation, and John T. Curry, III, of Debevoise & Plimpton, in such instances when Debevoise & Plimpton shall act as counsel for the Corporation, be, and each of them hereby is, designated to act on behalf of the Corporation as agent for service in respect of matters relating to each Registration Statement, with all of the powers enumerated in Rule 478 of the Rules and Regulations of the Commission under the 1933 Act.

Underwriting, Distribution
or Other Sales Arrangements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to enter into such underwriting, distribution or other sales arrangements, including, without limitation, one or more underwriting, distribution or other sales agreements, fixing the sale prices and setting the underwriters', dealers' or agents' fees and other discounts and commissions relating to any of the Securities, as such person or persons may approve, the execution by such person or persons of any such underwriting, distribution or other sales agreement to be conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Indentures and Similar
Instruments Covering Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, under the corporate seal of the

Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver one or more indentures, loan agreements, warrant agreements or any similar agreements (including supplements or amendments to any existing indenture, loan agreement, warrant agreement or similar agreement) governing or applying to any Securities (each such indenture or other agreement being referred to as an "*Instrument*") and any supplements or amendments thereto, covering, without limitation, all or any portion of any Securities, in such form as may be approved by the person or persons executing the same on behalf of the Corporation, the execution thereof by such person or persons to be conclusive evidence of the due authorization and approval of such Securities and such Instrument by the Corporation; and that any trustee or trustees under any such Instrument be, and each of them hereby is, requested to join with the Corporation in the execution and delivery of such Instrument.

Certificates Evidencing Securities

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute, manually or by facsimile signature, under the corporate seal of the Corporation attested by its Corporate Secretary or any Assistant Secretary, if requested, and deliver any certificates or other instruments evidencing any of the Securities, including without limitation one or more certificates for any Securities to be issued in global form, the execution of any such certificate or other instrument by such officer to be conclusive evidence of the due authorization and approval of such certificate or other instrument by the Corporation; and

RESOLVED, that if any officer of the Corporation signs any certificate or other instrument evidencing any Securities either manually or by facsimile signature and then ceases to be such officer before the certificate or other instrument so signed is authenticated and delivered under the applicable Instrument or disposed of by the Corporation, such certificate or other instrument shall nevertheless be valid and may be authenticated and delivered or disposed of as though the person who signed such certificate or other instrument had not ceased to be such officer of the Corporation.

Appointment of Trustees, Agents and Others

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the

Corporation to appoint one or more trustees (including, without limitation, co-trustees and successor trustees), issuing agents, paying agents, depositories, registrars, calculation agents, exchange rate agents and such other persons as may be deemed by the officer appointing the same to be necessary or advisable to act in accordance with any Instrument or otherwise in connection with any Financing Transaction, the appointment of any such trustee, agent or person by any such person or persons to be conclusive evidence of the due authorization and approval by the Corporation of such appointment.

Exchange Act Registration Statements

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation to execute (personally or by attorney-in-fact) and file or cause to be filed with the Commission one or more registration statements on Form 8-A or any other appropriate form for the purpose of registering all or a portion of the Securities on the New York Stock Exchange, Inc. or any other national securities exchange or any automated quotation system or otherwise registering the Securities pursuant to the Securities Exchange Act of 1934, as amended, such registration statement or statements to be in such form as may be approved by the officer or officers executing the same, the execution thereof by such officer or officers to be conclusive evidence of the due authorization and approval of such registration statement or statements by the Corporation.

Listing on Exchange

RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized on behalf of the Corporation, to execute, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, if requested, and file or cause to be filed with the New York Stock Exchange, Inc. or any other United States or foreign securities exchange or any automated quotation system (each, an "*Exchange*"), any and all applications, agreements or other instruments as are necessary to secure the listing or quotation on such Exchange of all or a portion of the Securities, and to enter into any and all agreements required in connection with such listing;

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized, on behalf of the Corporation, to appear before any such Exchange and to make any

changes required by such Exchange in the application of the Corporation or in the Corporation's agreements with such Exchange and to enter into any and all agreements and to do any and all acts or things which any such person or persons may deem necessary or advisable to secure the listing or quotation on such Exchange of all or a portion of the Securities; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more appropriate indemnification agreements with such Exchange, as required under the rules of such Exchange, if facsimile signatures of officers of the Corporation are used on the Securities; and that the Authorized Officers be, and each of them hereby is, authorized to execute in the name of and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary and to deliver indemnification agreements in such form as may be approved by the officer executing the same, the execution of any such agreement by such officer being conclusive evidence of the due authorization and approval of such agreement by the Corporation.

Blue Sky and Other Securities Laws

RESOLVED, that the Authorized Officers and any Assistant Secretary of the Corporation be, and each of them hereby is, authorized on behalf of the Corporation to take any and all action which they or any of them deem necessary or advisable in order to obtain a permit to issue or sell any Securities, register or qualify any Securities for issuance and sale, or to request or obtain an exemption from registration of any of the Securities, or to register or obtain a license for the Corporation as a dealer or broker, under the securities laws of such of the states of the United States of America and of such foreign jurisdictions, including, without limitation, Canada, as such officer or officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications and exemptions to execute, adopt, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, irrevocable consents to service of process, surety bonds, powers of attorney and other papers and instruments as may be required under such laws or as may be deemed by such officer or officers to be useful or advisable to be filed thereunder, and to take any and all further action which they or any of them deem necessary or advisable in order to maintain such permits, registrations, qualifications, exemptions or licenses in effect for as long as they or any of them may deem to be

in the best interests of the Corporation;

RESOLVED, that it is desirable and in the best interests of the Corporation that the Securities be qualified or registered for sale in various states and other jurisdictions; that the Authorized Officers be, and each of them hereby is, authorized to determine the states or other jurisdictions in which appropriate action shall be taken to qualify or register for sale all or such part of the Securities as any such Authorized Officer or Authorized Officers may deem advisable; that such Authorized Officer or Authorized Officers be, and each of them hereby is, authorized to perform on behalf of the Corporation any and all such acts as any or all of them may deem necessary or advisable in order to comply with the applicable laws of any such states or other jurisdictions, and in connection therewith to execute and file all requisite papers and documents, including, but not limited to, applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process; and that the execution by such Authorized Officer or Authorized Officers of any such paper or document or the doing by them of any act in connection with the foregoing matters shall be conclusive evidence of the due authorization and approval by the Corporation of the papers and documents so executed and the actions so taken; and

RESOLVED, that the Corporation hereby approves the designation of certain underwriters, who shall be licensed California broker-dealers, as specified by any Authorized Officer or any Assistant Secretary of the Corporation, as its attorneys-in-fact for the purposes of executing and filing an application on behalf of the Corporation, under applicable provisions of the California Corporation Securities Law of 1968, for the registration, qualification or exemption of part or all of the Securities for offering and sale in the State of California.

Authorization of Hedging Transactions in
<u>connection with Any Financing Transaction</u>

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into any interest rate or currency hedge transaction (including, without limitation, entering into any interest or currency swap, selling short securities, purchasing listed or unlisted futures or options, purchasing interest rate caps, and paying a fee to obtain an underwriter's commitment to purchase debt on a future date at a fixed rate or at a fixed spread over a benchmark rate) in connection with

any Financing Transaction, provided that the anticipated all-in cost of such Financing Transaction as hedged (including the amortized cost of the hedge transaction) does not exceed the maximum cost of such Financing Transaction stipulated in the resolutions adopted in connection therewith, and otherwise to be on such terms as may be approved by the person or persons executing on behalf of the Corporation the agreements or instruments relating to such hedge transaction, the execution thereof by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Authorization of Certain Actions in Connection with Any Unsecured Debt

RESOLVED, that in connection with the issuance, incurrence, reissuance, redemption or repurchase by the Corporation of any unsecured debt (hereafter, "*Debt*") and/or warrants for the purchase of such Debt (hereafter, "*Warrants*"), the Authorized Officers (and, in the case of any Debt consisting of notes to be issued pursuant to any medium-term note program or facility of the Corporation (hereafter, "*Medium-Term Notes*") or Warrants for the purchase therefor, any officer or management employee of American Airlines, Inc. ("*American*") authorized in writing by an Authorized Officer) be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect the matters contemplated by any resolutions regarding any such Debt (including, without limitation, Debt consisting of any Medium-Term Notes) or Warrants adopted by the Board, including, without limitation, establishing, subject to any limitations included in any applicable resolutions adopted by the Board, some or all of the following: (a) the title or titles of any Debt or any series of Debt, (b) any further limit upon the aggregate principal amount of Debt which may be issued by the Corporation, such principal amount to be determined as of the time of issuance, (c) the date or dates on which the principal of and premium, if any, on any Debt is payable or the method of determination and/or extension of such date or dates, and the amount or amounts of such principal and premium, if any, payments, (d) the rate or rates at which any Debt shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates on which such interest shall accrue or the method by which such date or dates shall be determined, the interest payment dates on which any such interest shall be payable and, with respect to registered Debt, the regular record date, if any, for the interest payable on such Debt on any

interest payment date, (e) the place or places where the principal of, premium, if any, and interest, if any, on any Debt shall be payable, (f) the period or periods within which, the price or prices at which, the currency or currencies (including currency units) in which, and the other terms and conditions upon which, any Debt may be redeemed, in whole or in part, at the option of the Corporation and the manner in which particular securities or other evidences of Debt (if less than all the Debt of a given series is to be redeemed) are to be selected for redemption, (g) the obligation, if any, of the Corporation to redeem or purchase any Debt pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a holder thereof, and the period or periods within which, the price or prices at which, and the terms and conditions upon which, such Debt shall be redeemed or purchased, in whole or in part, pursuant to such obligation, (h) the denominations in which any Debt shall be issuable, (i) the currency or currencies (including currency units) in which the principal of, premium, if any, and interest, if any, or other payments, if any, on any Debt shall be payable, or in which any Debt shall be denominated, and the particular provisions applicable thereto, (j) if payments of principal of, premium, if any, or interest, if any, or other payments, if any, on any Debt are to be made, at the election of the Corporation or of a holder of such Debt, in a currency or currencies (including currency units) other than that in which such Debt is denominated or designated to be payable, the currency or currencies (including currency units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, and the particular provisions applicable thereto, (k) if the amount of payments of principal of, premium, if any, and interest, if any, or other payments, if any, on any Debt may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on the price of one or more commodities, derivatives or securities; one or more securities, derivatives or commodities exchange indices or other indices; a currency or currencies (including currency units) other than that in which such Debt is denominated or designated to be payable; or any other variable or the relationship between any variables or combination of variables), the index, formula or other method by which such amounts shall be determined, (l) if other than the principal amount thereof, the portion of the principal amount of any Debt which shall be payable upon declaration of acceleration of the maturity thereof or the method by which such portion or amount shall be

determined, (m) the person to whom any interest on any registered Debt shall be payable (if other than the person in whose name that Debt is registered at the close of business on the regular record date for such interest) and the manner in which, or the person to whom, any interest on any bearer Debt shall be payable if otherwise than upon presentation and surrender of the coupons appertaining thereto as they severally mature, (n) if the principal amount payable at the Maturity of any Debt will not be determinable as of one or more dates prior to maturity, the amount that will be deemed to be the principal amount of such Debt as of any such date, or that will be deemed to be outstanding as of any date prior to the stated maturity (or, in any such case, the manner in which such amount deemed to be the principal amount will be determined), (o) provisions, if any, granting special rights to the holders of any Debt upon the occurrence of such events as may be specified, (p) any deletions from, modifications of, or additions to, the events of default or covenants of the Corporation set forth in the indenture or other agreement pertaining to any Debt, (q) under what circumstances, if any, the Corporation will pay additional amounts on any Debt held by a person who is not a U.S. person in respect of taxes or similar charges withheld or deducted and, if so, whether the Corporation will have the option to redeem such Debt rather than pay such additional amounts (and the terms of any such option), (r) whether any Debt shall be issuable as a registered or bearer security (with or without interest coupons), or both, and any restrictions applicable to the offering, sale or delivery of bearer Debt and the terms upon which bearer Debt may be exchanged for registered Debt and vice versa, (s) the date as of which any bearer Debt and any temporary global security representing outstanding Debt shall be dated if other than the date of original issuance of the first such Debt to be issued, (t) the forms of securities representing any Debt and coupons, if any, pertaining thereto, (u) the applicability, if any, to any Debt of, and the terms of, any defeasance or covenant defeasance provisions, (v) the identity of any registrar and any paying agent relating to any Debt, (w) any terms which may be related to Warrants issued by the Corporation in connection with, or for the purchase of, any Debt, including whether and under what circumstances any Debt may be used toward the exercise price of any such Warrants, (x) the designation of the initial exchange rate agent, if any, relating to any Debt, (y) if any Debt shall be issued in whole or in part in global form, (i) the depositary for such global securities, (ii) the form of any legend that shall be borne by such global securities, (iii) whether beneficial owners of interests

in any Debt in global form may exchange such interests for certificated Debt of like tenor of any authorized form and denomination, and (iv) the circumstances under which any such exchange may occur, (z) if any Debt will be governed by, and the extent to which such Debt will be governed by, any law other than the laws of the State of New York, and (aa) any other terms of any Debt or Warrants as shall not be inconsistent with any applicable resolutions adopted by the Board relating to such Debt or Warrants, including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of such Debt or Warrant; the execution by any such person of any authentication instructions to the trustee under the indenture or other agreement relating to any Debt or to any authenticating or issuing agent thereunder, or of the supplemental indenture or indentures or loan or other agreements, documents, certificates or instruments covering any Debt, or the warrant agreement or warrant agreements or other agreements, documents, certificates or instruments covering any Warrants, as the case may be, to be conclusive evidence of the due authorization and approval thereof by the Corporation, including, without limitation, the due authorization and approval by the Corporation of the applicable matters referred to in clauses (a) through (aa) of this resolution.

Authorization of Certain Actions in
Connection with Any Tax-Exempt Financing

RESOLVED, that in connection with the financing or refinancing of the cost of facilities and related equipment, machinery and structures of the Corporation, American or any other subsidiary of the Corporation through one or more offerings of tax-exempt bonds ("*Tax-Exempt Bonds*") issued by governmental authorities authorized to issue such bonds in the relevant locations, whether inside or outside the United States, the Authorized Officers be, and each of them hereby is, authorized for and on behalf of the Corporation to take any and all actions as may be necessary or advisable to effect such financing or refinancing and the sale of the Tax-Exempt Bonds, including, without limitation, the entry into and delivery of the following agreements and instruments with respect to any such financing or refinancing:

(1) a guaranty of the principal of, premium, if any, and interest on any series of Tax-Exempt Bonds issued in connection with any such financing or refinancing;

(2) one or more reimbursement agreements or other arrangements in connection with the issuance of letters of credit relating to any such financing or refinancing;

(3) a bond purchase agreement or remarketing agreement among the Corporation, American, any other subsidiary of the Corporation, the issuer of such Tax-Exempt Bonds, and such underwriters or remarketing agents as may be chosen (such underwriters and remarketing agents to be referenced, collectively, as the "*Underwriters*") relating to the purchase of such Tax-Exempt Bonds; and

(4) a securities law undertaking relating to such Tax-Exempt Bonds;

RESOLVED, that in order to further implement the foregoing resolution, the use by the Underwriters of a preliminary official statement or preliminary remarketing circular or other offering document or prospectus with respect to any such Tax-Exempt Bonds (the "*POS*"), each POS to contain such information as may be approved by an officer of the Corporation or of American (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation), be, and it hereby is, authorized and approved, and the use of a final official statement or remarketing circular or other offering document or prospectus relating to such Tax-Exempt Bonds, in substantially the same form as the POS, with such changes therefrom as may be approved by an officer of the Corporation or of American (such approval to be conclusive evidence of the due authorization and approval thereof by the Corporation) be, and it hereby is, authorized and approved; and

RESOLVED, that the Corporation be, and it hereby is, authorized to enter into one or more reimbursement agreements or other arrangements in connection with the renewal or replacement of letters of credit relating to payment of Tax-Exempt Bonds or any of the Corporation's obligations in connection therewith, such reimbursement agreements or other arrangements and letters of credit to be on such terms as may be approved by the person or persons executing such reimbursement agreements or other arrangements on behalf of the Corporation, and to enter into and deliver such other agreements and instruments as may be deemed by the person or persons executing the same on behalf of the Corporation to be necessary or advisable in connection therewith, the execution of such reimbursement agreements

or other arrangements and other agreements and instruments by any such person or persons to be conclusive evidence of the due authorization and approval thereof by the Corporation.

Miscellaneous

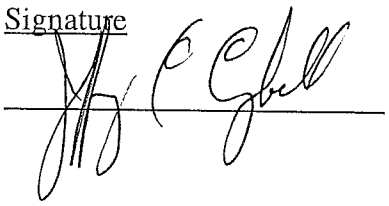
RESOLVED, that any officer of the Corporation be, and hereby is, authorized to execute in the name and on behalf of the Corporation and, if requested, under its corporate seal attested by its Corporate Secretary or any Assistant Secretary, to deliver any and all such further documents and instruments and to do any and all such acts or things as they or any of them may deem necessary or advisable fully to carry out the intent of the foregoing resolutions and of the Financing Transaction for which such resolutions are adopted.

EXHIBIT E

AMR CORPORATION

INCUMBENCY CERTIFICATE

The undersigned certifies that he is the Corporate Secretary of AMR Corporation (the "Company"), and that, as such, he is authorized to execute and deliver this certificate on behalf of the Company, and further certifies that each of the following persons now is and at all times since June 11, 2002 has been a duly elected and qualified officer or management employee of the Company, holding the office (or offices) or position in the Company set forth opposite his or her name below, and the signature appearing opposite each person's name is a specimen of his or her genuine signature.

Name	Office(s) or Position	Signature
Jeffrey C. Campbell	Senior Vice President - Finance and Chief Financial Officer	

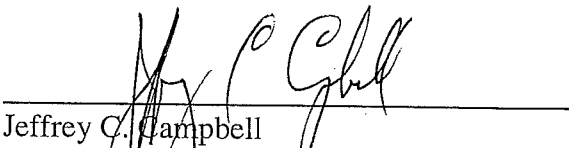
WITNESS the seal of the Company and the signature of the undersigned this _____ day of _____, 2002.

Charles D. MarLett
Corporate Secretary

[Corporate Seal]

The undersigned hereby certifies that Charles D. MarLett is the Corporate Secretary of the Company and that his signature appearing above is his genuine signature.

WITNESS the signature of the undersigned this 31st day of July, 2002.



Jeffrey C. Campbell
Senior Vice President - Finance
and Chief Financial Officer

NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY
New York, New York

$500,000,000
Special Facility Revenue Bonds, Series 2002
(American Airlines, Inc. John F. Kennedy International Airport Project)

RECORD OF PROCEEDINGS

July 31, 2002

Winston & Strawn
200 Park Avenue
New York, New York 10166

VOLUME IV

INDEX OF CLOSING DOCUMENTS

Document Number

1. Basic Lease.

2. Port Authority Lease and First Supplemental Agreement to Port Authority Lease (certified by American Airlines, Inc.).

3. First Supplemental Agreement to Port Authority Lease.

4. Agreement Towards Entering into a Lease.

5. Recognition, Non-Disturbance and Attornment Agreement.

6. Consent to Subleases and Leasehold Mortgage Agreement.

7. Company Sublease Agreement.

8. IDA Lease Agreement.

9. Master Indenture of Trust.

10. First Series Supplemental Indenture of Trust.

11. Second Series Supplemental Indenture of Trust.

12. American Airlines, Inc. Guaranty.

13. AMR Corporation Guaranty.

14. Form of Leasehold Mortgage and Security Agreement.

15. Equipment Security Agreement.

16. Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986.

    Exhibit A
    Certificate Regarding Qualification as Exempt Facility Bonds.

    Exhibit B
    Issue Price Certificate.

    Exhibit C
    Form 8038.

DOCUMENTS DELIVERED BY THE NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY (the "Agency")

17. Copies of Chapter 1030 of the 1969 Laws of New York, as amended, and Chapter 1082 of the 1974 Laws of New York, as amended.

18. Certificate as to establishment of the Agency and as to appointment of the members thereof.

19. General Certificate (as required by Section 9(d)(4) of the Bond Purchase Agreement).

Exhibit A

By-Laws of the Agency.

Exhibit B

Inducement and Authorizing Resolutions.

Exhibit C

Specimen Bonds.

Exhibit D

Notice and Minutes of Public Hearing.

20. Mayor's Approval of the Series 2002 Bonds.

21. Written Order to authenticate and deliver the Series 2002 Bonds.

22. Letter of Representation from the Agency (the "DTC Letter").

23. Letter from the Agency relating to the exemption of the Leasehold Mortgage from recording taxes, as required by Section 9(d)(23) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY AMERICAN AIRLINES, INC.

24. Certificate of Secretary of American Airlines, Inc.

Exhibit A

Restated Certificate of Incorporation certified by an authorized officer of American Airlines, Inc.

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of American Airlines, Inc. authorizing the financing

Exhibit E

Certificate re: Authority of American Airlines, Inc. to do business in New York

Exhibit F

Incumbency Certificate

25. Certificate of an authorized officer of American Airlines, Inc., as required by Section 9(d)(5) of the Bond Purchase Agreement.

26. Letter from Ernst & Young LLP, Auditor, as required by Section 9(d)(18) of the Bond Purchase Agreement.

27. Certificate as to insurance, as required by the IDA Lease Agreement and as required pursuant to the Agreement Towards Entering into a Lease, with certificates of insurance required by Section 4.4 of the IDA Lease Agreement.

DOCUMENTS DELIVERED BY AMR CORPORATION

28. Certificate of Secretary of AMR Corporation

Exhibit A

Composite Certificate of Incorporation, certified by an authorized officer of AMR Corporation

Exhibit B

Bylaws

Exhibit C

Delaware Good Standing Certificate dated within 30 days of the date hereof

Exhibit D

Resolutions adopted by the Board of Directors of AMR Corporation authorizing the AMR Documents

Exhibit E

Incumbency Certificate

29. Certificate of an authorized officer of AMR Corporation, as required by Section 9(d)(6) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE BANK OF NEW YORK

30. Letter of Acceptance.

31. Certificate as to receipt of documents, incumbency and authentication, delivery, payment, receipt and application of Bond proceeds, as required by Section 9(d)(7) of the Bond Purchase Agreement.

DOCUMENTS DELIVERED BY THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (the "Port Authority")

32. Certificate of an authorized official of the Port Authority, as required by Section 9(d)(19) of the Bond Purchase Agreement

UNDERWRITING DOCUMENTS

33. Preliminary Official Statement.

34. Official Statement.

35. Blue Sky Memorandum.

36. Continuing Disclosure Undertaking.

37. Cross-Receipt.

38. Bond Purchase Agreement.

OPINIONS

39. Approving Opinion of Winston & Strawn, as required by Section 9(d)(8) of the Bond Purchase Agreement, with reliance letter.

40. Supplemental Opinion of Winston & Strawn, as required by Section 9(d)(10) of the Bond Purchase Agreement.

41. Opinion of the Agency's Vice President for Legal Affairs, as required by Section 9(d)(9) of the Bond Purchase Agreement.

42. Opinions of Anne H. McNamara, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(a) of the Bond Purchase Agreement.

43. Opinion of Chapman and Cutler, Counsel to the Underwriter, as required by Section 9(d)(14) of the Bond Purchase Agreement.

44. Opinion of Emmet, Marvin & Martin, LLP, Counsel to the Trustee, as required by Section 9(d)(15) of the Bond Purchase Agreement.

45. Opinion of Debevoise & Plimpton, Counsel to American Airlines, Inc. and AMR Corporation, as required by Section 9(d)(13)(b) of the Bond Purchase Agreement.

MISCELLANEOUS

46. UCC-1 Financing Statements.

47. Sales Tax Letter.

48. Consent of Simat, Helliesen & Eichner, as required by Section 9(d)(20) of the Bond Purchase Agreement.

49. Copy of Agency leasehold title insurance policy as required by Section 2.6 of the IDA Lease Agreement.

50. Confirmation of Bond Rating of B1 by Moody's Investors Services, Inc. and of BB- by Standard & Poor's Corporation, as required by Section 9(b)(12) of the Bond Purchase Agreement.

51. Second Amended and Restated Preliminary Sales Tax Letter.

52. Amendment No. 2 to Preliminary Project Agreement.

53. Requisitions 2002 -1, 2 & 3

CERTIFICATE PURSUANT TO BOND PURCHASE AGREEMENT

I, the undersigned, Senior Vice President and Chief Financial Officer of AMR Corporation (the "Company"), do hereby make and execute this certificate pursuant to Section 9(d)(6) of the Bond Purchase Agreement (the "Bond Purchase Agreement"), dated July 25, 2002, among the New York City Industrial Development Agency, the Company, American Airlines, Inc. and Salomon Smith Barney Inc., on behalf of the Underwriters, relating to the New York City Industrial Development Agency Special Facility Revenue Bonds (American Airlines, Inc. John F. Kennedy International Airport Project), Series 2002A, 2002B, ~~2002C and 2002D~~ (the "Bonds"). All capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement. I do hereby certify that, to the best of my knowledge:

(a) the representations and warranties of the Company contained in Section 6 of the Bond Purchase Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof; and

(b) the Company has complied with all terms of the Bond Purchase Agreement, the AMR Guaranty, the Consent to Subleases and the Undertaking to be complied with by it prior to or concurrent with the Closing Date.

IN WITNESS WHEREOF, the undersigned, being hereunto duly authorized, hereby executes this Certificate this July 31, 2002.

AMR CORPORATION

By: _____

Jeffrey C. Campbell
Senior Vice President - Finance
and Chief Financial Officer

LETTER OF ACCEPTANCE

July 31, 2002

New York City Industrial
Development Agency
110 William Street
New York, New York 10038

Ladies and Gentlemen:

The undersigned hereby accepts the duties and obligations of Trustee and Paying Agent of the New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $120,000,000 (the "Series 2002A Bonds") and the New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $380,000,000 (the "Series 2002B Bonds"), imposed upon the undersigned pursuant to the terms and conditions of a Master Indenture of Trust, dated as of July 1, 2002, as supplemented by a First Series Supplemental Indenture of Trust, dated as of July 1, 2002 and as supplemented by a Second Series Supplemental Indenture of Trust, dated as of July 1, 2002, between said Agency and the undersigned.

Very truly yours,

THE BANK OF NEW YORK

By: Beverly Gardner
Beverly Gardner
Assistant Treasurer

THE BANK OF NEW YORK

CERTIFICATE AS TO RECEIPT OF DOCUMENTS,
INCUMBENCY AND AUTHENTICATION, DELIVERY, PAYMENT,
RECEIPT AND APPLICATION OF BOND PROCEEDS

The Bank of New York (the "Trustee"), as Trustee and Paying Agent for the $500,000,000 Special Facility Revenue Bonds, Series 2002 (American Airlines, Inc., John F. Kennedy International Airport Project) (the "Bonds") of the New York City Industrial Development Agency (the "Agency") pursuant to the terms and conditions of the Master Indenture of Trust, dated as of July 1, 2002, between the Agency and the Trustee (the "Master Indenture") as supplemented by a First Series Supplemental Indenture of Trust and a Second Series Supplemental Indenture of Trust, each dated as of July 1, 2002 (as supplemented, the "Indenture") (capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Indenture), HEREBY CERTIFIES as follows:

1. The Indenture, the Company Guaranty, the AMR Guaranty, the Consent Agreement and the Equipment Security Agreement were executed and delivered in the name and on behalf of the undersigned, as Trustee, by one of its duly authorized officers and the execution and delivery of the Leasehold Mortgage was duly authorized by the Trustee.

2. It has received the documents required by the Indenture to be received by it as conditions precedent to the delivery of the Bonds.

3. It has received the Bonds and upon the order of the Agency has authenticated the Bonds by manually executing on the Bonds a certificate in the following form:

"TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the [Series 2002A] [Series 2002B] Bonds described in the within mentioned [First] [Second] Series Supplemental Indenture.

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____, 2002"

4. Each person who, on behalf of the Trustee, executed and delivered the Indenture, the Company Guaranty, the AMR Guaranty, the Consent Agreement and the Equipment Security Agreement or authenticated the Bonds was at the date thereof and is now duly elected, appointed or authorized, qualified and acting as an officer or authorized signatory of the Trustee and duly authorized to perform such acts at the respective times of such acts and the signatures of such persons appearing on such documents and the Bonds are their genuine signatures.

5. Attached hereto are (i) an extract from the By-laws of the Trustee, duly adopted by its Board of Directors, respecting the signing authority of the persons mentioned above in paragraph 4, and (ii) a letter from an Executive Vice President of the undersigned authorizing, pursuant to such By-laws, such signing authority, which By-laws and letter at the date hereof are in full force and effect.

6. It has examined the forms of the Bonds authenticated and delivered by it and found the same to be substantially in the forms prescribed by the Indenture.

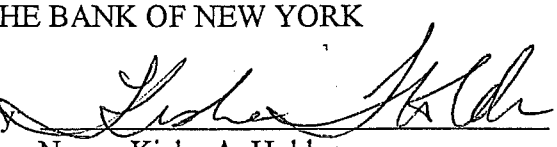
7. At the request of the Agency, it has delivered the Bonds to Salomon Smith Barney Inc. (the "Underwriter"), upon delivery by the Underwriter to the Agency of a wire in the amount of $475,974,866.67 which consists of the aggregate principal amount of the Bonds, less the Underwriter's discount of $2,625,000 and less original issue discount of $24,891,800, plus accrued interest of $3,491,666.67.

8. It has received on behalf of the Agency the aforementioned wire in the amount of $475,974,866.67 representing the said purchase price for the Bonds, for deposit of $800,000.00 in the Series 2002A Interest Account of the Bond Fund and $2,691,666.67 in the Series 2002B Interest Account of the Bond Fund; $102,043,440.00 in the Series 2002A Construction Account of the Project Fund and $322,928,940.00 in the Series 2002B Construction Account of the Project Fund; and $11,408,160.00 into the Series 2002A Debt Service Reserve Account of the Debt Service Reserve Fund and $36,102,660.00 into the Series 2002B Debt Service Reserve Account of the Debt Service Reserve Fund in accordance with Section 4.01 of the Master Indenture, Section 3.02 of the First Series Supplemental Indenture and Section 4.02 of the Second Series Supplemental Indenture.

IN WITNESS WHEREOF, THE BANK OF NEW YORK has caused this certificate to be executed in its corporate name by an officer thereunto duly authorized.

Dated: July 31, 2002

THE BANK OF NEW YORK

By: 

Name: Kisha A. Holder
Title: Assistant Treasurer

SIGNING AUTHORITIES
Extracts from By-Laws
Of
THE BANK OF NEW YORK
ARTICLE VI
As amended through July 11, 2000

SECTION 6.1 Real Property

Real property owned by the Bank in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Bank in its own right with such maximum values as the Board may fix in its authorizing resolution.

SECTION 6.2 Senior Signing Powers

Subject to the exception provided in Section 6.1, the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of or on behalf of, the Bank in all transactions arising out of, or in connection with, the normal course of the Bank's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Bank thereto. In such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the posers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Bank authorized in or pursuant to Section 6.3 to have any of the powers set forth therein, other than the officer signing pursuant to the Section 6.2, is authorized to attest to the seal of the Bank on any documents requiring such seal.

SECTION 6.3 Limited Signing Powers

Subject to the exception provided in Section 6.1, in such instances as in the judgment of the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Bank to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

SECTION 6.4 Powers of Attorney

All powers of attorney on behalf of the Bank shall be executed by any officer of the Bank jointly with the Chairman of the Board, the President, any Vice Chairman, any Senior Executive Vice President, any Executive Vice President, any Senior Vice President or any Managing Director. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors and, at foreign branches only, by any two officers provided one of such officers is the Branch Manager.

SECTION 6.5 Auditor

The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Bank, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Section 6.3 of the By-laws

RESOLVED, that, pursuant to Section 6.3 of the By-laws of The Bank of New York, authority be, and hereby is, granted to the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below.

(B) Authority to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Bank; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; legal opinion; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Bank's business.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an unlimited dollar amount.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $1,000,000.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $250,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $50,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; and money transfer wire; in each case, in an amount up to $5,000.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Bank for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Bank as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Bank in trust or in connection with any transaction with respect to which the Bank is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I) Authority to effect the movement of securities outside the bank.

(J) Authority to either sign on behalf of the Bank or to affix the seal of the Bank to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Bank in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Company.

CORPORATE TRUST DIVISION
OFFICIAL SIGNING POWER AUTHORITY

Pursuant to Article 6, Section 6.2 and Section 6.3 of the By-Laws of The Bank of New York, I hereby convey the signing authorities noted next to the following individuals:

NAME	TITLE	SIGNING POWER AUTHORITY
Mark F. Ferraris	Senior Vice President	Section 6.2
James R. Keenan	Senior Vice President	Section 6.2
Ian K. Stewart	Senior Vice President	Section 6.2
Richard Costantino	Senior Vice President	Section 6.2
Michael J. Pellino	Senior Vice President	Section 6.2
Fernando Acebedo	Vice President	Section 6.2
Barbara Aubry	Vice President	Section 6.2
Corey Babarovich	Vice President	Section 6.2
Richard H. Babb	Vice President	Section 6.3A, J
Eileen Barat	Vice President	Section 6.2
John Barbera	Vice President	Section 6.2
Geovanni Barris	Vice President	Section 6.2
Courtney A. Bartholomew	Vice President	Section 6.2
Barbara A. Bevelaqua	Vice President	Section 6.2
David L. Bhame	Vice President	Section 6.2
Trevor R. Blewer	Vice President	Section 6.2
Thomas J. Bogert	Vice President	Section 6.2
Van K. Brown	Vice President	Section 6.2
Gary S. Bush	Vice President	Section 6.2
Robert L. Cascone	Vice President	Section 6.2
Cynthia J. Chaney	Vice President	Section 6.2
Jane S. Chester	Vice President	Section 6.2
Jacalyn L. Choy	Vice President	Section 6.3, C1, F
Margaret Ciesmelewski	Vice President	Section 6.2
Betty A. Cocozza	Vice President	Section 6.2
Rosemary Cosentino	Vice President	Section 6.2
Kevin Cremin	Vice President	Section 6.2
Lisa D'Angelo	Vice President	Section 6.2
Elizabeth DaSilva	Vice President	Section 6.2
Frank Driscoll	Vice President	Section 6.3A
Carmela Ehret	Vice President	Section 6.2
Alexis I. Epifan	Vice President	Section 6.2
Joseph Ernst	Vice President	Section 6.2
Gerard F. Facendola	Vice President	Section 6.2
Lucille Firrincieli	Vice President	Section 6.2
Jack Fruchtman	Vice President	Section 6.2
Patricia Gallagher	Vice President	Section 6.2
Joseph F. Giunto	Vice President	Section 6.2
Christopher J. Grell	Vice President	Section 6.3A, J
Robert L. Griffin	Vice President	Section 6.2
John M. Guiliano	Vice President	Section 6.2
Marcus Gustafson	Vice President	Section 6.2
Margaret P. Guzzetta	Vice President	Section 6.3A
James W.P. Hall	Vice President	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Emma Hamley	Vice President	Section 6.2
Andrea Harris	Vice President	Section 6.3A, J
Hector S. Herrera	Vice President	Section 6.2
Steven Hodgetts	Vice President	Section 6.2
Jennifer J. Houle	Vice President	Section 6.2
Sharon Jaffe-Goser	Vice President	Section 6.2
Harley Jeanty	Vice President	Section 6.2
Mary LaGumina	Vice President	Section 6.2
Cheryl L. Laser	Vice President	Section 6.2
Victoria P. Lau	Vice President	Section 6.3A
Noraida Lauro	Vice President	Section 6.2
Mary Beth A. Lewicki	Vice President	Section 6.2
James E. Logan	Vice President	Section 6.2
Matthew Lombardi	Vice President	Section 6.3A, J
Joseph A. Lopomo	Vice President	Section 6.2
Loretta A. Lundberg	Vice President	Section 6.2
Douglas J. MacInnes	Vice President	Section 6.2
Douglas J. Magnolia	Vice President	Section 6.2
Philip A. Martone	Vice President	Section 6.2
Robert A. Massimillo	Vice President	Section 6.2
Kenneth T. McGraw	Vice President	Section 6.2
Mark McLaughlin	Vice President	Section 6.2
Meredith McRae	Vice President	Section 6.2
Dorothy Miller	Vice President	Section 6.2
Rafael E. Miranda	Vice President	Section 6.3 C1, F
Glenn E. Mitchell	Vice President	Section 6.2
Thomas J. Musarra	Vice President	Section 6.2
David J. O'Brien	Vice President	Section 6.3A, J
Lawrence J. Olsen	Vice President	Section 6.2
Mauro Palladino	Vice President	Section 6.2
Joseph Panepinto	Vice President	Section 6.2
Susan Panzer-Eichholz	Vice President	Section 6.3A
Romano I. Peluso	Vice President	Section 6.2
Diane Pickett	Vice President	Section 6.2
Jerome A. Piechocki	Vice President	Section 6.2
John Polito	Vice President	Section 6.2
Christopher F. Pool	Vice President	Section 6.2
Thomas J. Provenzano	Vice President	Section 6.2
Susan Pszonek	Vice President	Section 6.3A, J
Kenneth Racioppo	Vice President	Section 6.2
Terence T. Rawlins	Vice President	Section 6.2
Remo J. Reale	Vice President	Section 6.2
Robert W. Rich	Vice President	Section 6.2
Michael Sabatino	Vice President	Section 6.2
Julie D. Salovitch-Miller	Vice President	Section 6.2
Pasquale Santivasci	Vice President	Section 6.3A, J
Debra A. Schwalb	Vice President	Section 6.2
Paul J. Schmalzel	Vice President	Section 6.2
Andres E. Serrano	Vice President	Section 6.2
Kelly A. Sheahan	Vice President	Section 6.2
Ming Shiang	Vice President	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Laura M. Shields	Vice President	Section 6.2
Vincent Sicari	Vice President	Section 6.3A
Irene Siegel	Vice President	Section 6.2
Nicholas S. Signoretta	Vice President	Section 6.2
Thomas W. Simons	Vice President	Section 6.2
Kenneth Soderstrom	Vice President	Section 6.3 C1, F
Alan P. Spater	Vice President	Section 6.3A
Brian V. Swords	Vice President	Section 6.3A
Thomas E. Tabor	Vice President	Section 6.2
Francisco Talavera	Vice President	Section 6.2
Michael J.S. Thomson	Vice President	Section 6.2
Steven D. Torgeson	Vice President	Section 6.2
Arlene Tramble	Vice President	Section 6.2
Leonard Trueblood	Vice President	Section 6.2
Steven V. Vaccarello	Vice President	Section 6.3A, J
Thomas Vlahakis	Vice President	Section 6.2
Max Volmar	Vice President	Section 6.2
Herbert W. Weber	Vice President	Section 6.3A, J
Paul Wilden	Vice President	Section 6.2
Todd M. Winchel	Vice President	Section 6.2
Louis P. Young	Vice President	Section 6.2
Thomas B. Zakrzewski	Vice President	Section 6.2
Robert M. Zaratin	Vice President	Section 6.3A
Rashna Ahmed	Asst. Vice President	Section 6.2
David H. Beaty	Asst. Vice President	Section 6.2
Carolyn L. Bolden	Asst. Vice President	Section 6.3A
Miguel Barrios	Asst. Vice President	Section 6.2
Cynthia W. Brown	Asst. Vice President	Section 6.2
Stephen M. Bruce	Asst. Vice President	Section 6.2
Catherine L. Cerilles	Asst . Vice President	Section 6.2
Alex T. Chang	Asst. Vice President	Section 6.2
Janie K. Choi	Asst. Vice President	Section 6.2
Louise J. Clayden	Asst. Vice President	Section 6.2
Sharon N. Coker	Asst. Vice President	Section 6.2
John DiGiannantonio	Asst. Vice President	Section 6.3A
Sirojni L. Dindial	Asst. Vice President	Section 6.2
Mia L. Drennan	Asst. Vice President	Section 6.2
Maria Eisen	Asst. Vice President	Section 6.2
Marilyn Evans	Asst. Vice President	Section 6.3, C1, F
Eric D. Fredrikson	Asst. Vice President	Section 6.3A
Beverly A. Freeney	Asst. Vice President	Section 6.2
Lisa A. Geary	Asst. Vice President	Section 6.3A, J
Jacqueline Geisen	Asst. Vice President	Section 6.2
Richard Haberstroh	Asst. Vice President	Section 6.2
Thomas Hacker	Asst. Vice President	Section 6.2
Michael C. Hieb	Asst. Vice President	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Kalliope Kateris	Asst. Vice President	Section 6.3A, J
Robert Keenan	Asst. Vice President	Section 6.3 C1, F
Annette Kos	Asst. Vice President	Section 6.2
Glenn Kunak	Asst. Vice President	Section 6.3A, J
Marie LaDolcetta	Asst. Vice President	Section 6.2
Edgar R. Lago	Asst. Vice President	Section 6.2
Wei Lai	Asst. Vice President	Section 6.3A
Joseph M. Lawlor	Asst. Vice President	Section 6.2
Tai B. Lee	Asst. Vice President	Section 6.2
Deirdre M. Lewis	Asst. Vice President	Section 6.2
Matthew G. Louis	Asst. Vice President	Section 6.2
Lawrence Lubicich	Asst. Vice President	Section 6.3A
Carlos R. Luciano	Asst . Vice President	Section 6.2
Vanessa Mack	Asst. Vice President	Section 6.2
Joseph Mate	Asst. Vice President	Section 6.2
Sonal Mehta	Asst. Vice President	Section 6.2
Miriam Y. Molina	Asst. Vice President	Section 6.3A, J
Thomas C. Monahan	Asst. Vice President	Section 6.2
Dennis Mooney	Asst. Vice President	Section 6.3 C1, F
Ira Nydick	Asst. Vice President	Section 6.2
Patricia O'Neill-Manella	Asst. Vice President	Section 6.2
Sunjeeve Patel	Asst. Vice President	Section 6.2
Paul V. Pereira	Asst. Vice President	Section 6.2
Luis Perez	Asst. Vice President	Section 6.2
Norma Perry	Asst. Vice President	Section 6.3A
Patricia M. Phillips	Asst. Vice President	Section 6.2
Michael Pitfick	Asst. Vice President	Section 6.2
Melissa G. Jeffers Quan-Soon	Asst. Vice President	Section 6.2
Martin G. Reed	Asst. Vice President	Section 6.2
Mary Ann Reilly	Asst. Vice President	Section 6.3A, J
Yvette Rivera	Asst. Vice President	Section 6.2
Kate Russell	Asst. Vice President	Section 6.2
Ciro J. Russo	Asst. Vice President	Section 6.3, C1, F
Michele L. Russo	Asst. Vice President	Section 6.2
William J. Sachelari	Asst. Vice President	Section 6.2
Cassandra D. Shedd	Asst . Vice President	Section 6.2
Donald Tagliareni	Asst. Vice President	Section 6.3 C1, F
Scott J. Tepper	Asst. Vice President	Section 6.2
Erica C. Thomas	Asst. Vice President	Section 6.3, C1, F
Deborah Todak	Asst. Vice President	Section 6.3A, J.
Henry Tong	Asst. Vice President	Section 6.2
Marie E. Trimboli	Asst . Vice President	Section 6.2
Craig S. Wenzler	Asst. Vice President	Section 6.2
Michael White	Asst. Vice President	Section 6.2
Michael Abramowitz	Assistant Treasurer	Section 6.3,F
Julius Antoine	Assistant Treasurer	Section 6.3, C1, F
David Ayerdis	Assistant Treasurer	Section 6.3, C1, F
Aldrin M.F. Bayne	Assistant Treasurer	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
John Bobko	Assistant Treasurer	Section 6.2
Theresa A. Botros	Assistant Treasurer	Section 6.3, C1, F
Pierre Boutros	Assistant Treasurer	Section 6.2
Lorraine A. Broadnex	Assistant Treasurer	Section 6.3, C1, F
Laura V.T. Chang	Assistant Treasurer	Section 6.3A, J, N
Linda Corbo	Assistant Treasurer	Section 6.3A, J
John P. Curry	Assistant Treasurer	Section 6.3, C1, F
Barbara J. Dean	Assistant Treasurer	Section 6.2
Joseph S. Denno	Assistant Treasurer	Section 6.3, F
Scott DeRoss	Assistant Treasurer	Section 6.3, C1, F
Kelvyn A.H. Ee	Assistant Treasurer	Section 6.3A, J, N
Cirino Emanuele	Assistant Treasurer	Section 6.3, C1, F
Venita Forde	Assistant Treasurer	Section 6.3, C1, F
Claire J. Fortunato	Assistant Treasurer	Section 6.3, C1, F
Kevin J. Fox	Assistant Treasurer	Section 6.2
Beverly Gardner-Samuel	Assistant Treasurer	Section 6.2
Karon F. Greene	Assistant Treasurer	Section 6.2
Kisha A. Holder	Assistant Treasurer	Section 6.2
Beata Hryniewicka	Assistant Treasurer	Section 6.2
Peter C. Hyland	Assistant Treasurer	Section 6.3, C1, F
Teresita Izar	Assistant Treasurer	Section 6.3, C1, F
Mark Jagoda	Assistant Treasurer	Section 6.3, C1, F
Michael L. Jamison	Assistant Treasurer	Section 6.2
Barbara Kaczmar	Assistant Treasurer	Section 6.2
Seong M. Kim	Assistant Treasurer	Section 6.3A
Joann LaBarbera	Assistant Treasurer	Section 6.3, C1, F
Helen H. Lam	Assistant Treasurer	Section 6.2
Joseph A. Lloret	Assistant Treasurer	Section 6.2
William E. Lovett	Assistant Treasurer	Section 6.2
Verna Maitland	Assistant Treasurer	Section 6.3, C1, F
Mary J. Meadows	Assistant Treasurer	Section 6.3, C1, F
Lina Millard	Assistant Treasurer	Section 6.3, C1, F
Alison Mitchell	Assistant Treasurer	Section 6.2
Miriam Moraca	Assistant Treasurer	Section 6.3A, J
Fernando A. Moreyra	Assistant Treasurer	Section 6.2
Amedeo Morreale	Assistant Treasurer	Section 6.3, F
Brian C. Morro	Assistant Treasurer	Section 6.2
Christopher W. Palermo	Assistant Treasurer	Section 6.2
Paul Patralites	Assistant Treasurer	Section 6.3A, F
Rosemary Phillips	Assistant Treasurer	Section 6.3, C1, F
Stacey Poindexter	Assistant Treasurer	Section 6.2
Daniel Rothman	Assistant Treasurer	Section 6.2
Christopher T. Rusert	Assistant Treasurer	Section 6.2
Robert Schneck	Assistant Treasurer	Section 6.3, C1, F
Keith Schott	Assistant Treasurer	Section 6.2
Timothy J. Shea	Assistant Treasurer	Section 6.2
Michael L. Shelton	Assistant Treasurer	Section 6.2
Christine Singer	Assistant Treasurer	Section 6.2
Erwin Soriano	Assistant Treasurer	Section 6.2

NAME	TITLE	SIGNING POWER AUTHORITY
Lori-Ann Soriano	Assistant Treasurer	Section 6.3A, J
Edward Souter	Assistant Treasurer	Section 6.3, C1, F
Darrel X. Thompson	Assistant Treasurer	Section 6.3, C1, F, I
Jennifer Valenti	Assistant Treasurer	Section 6.2
Neil F. Williamson	Assistant Treasurer	Section 6.2
Paul Zhang	Assistant Treasurer	Section 6.3, C1, F

Joseph M. Velli
Senior Executive Vice President

CORPORATE TRUST DIVISION
LIST OF NON-OFFICIALS
SIGNING AUTHORITY

NAME	SIGNING POWER AUTHORITY
Frank Adinolfe	Section N
Theresa C. Antoine-Mitchell	Section N
Erica Bryant	Section N
Karl Burgess	Section 6.3, C1, F, I
Laura Canales	Section 6.3, C1, F
Shirley Canty	Section N
Nicole C. Caprio	Section 6.3, C1, F, I
Carlos Casasnovas	Section N
William Cassels	Section 6.3, C1, F
Pensador Castro	Section 6.3, C1, F
Sophie Chang	Section 6.3, C1, F
Yu-Lun (Elaine) Chao	Section 6.3, C1, F
Wilberto Colon	Section 6.3, C1, F, H
Rosita J. Conde	Section 6.3, H
Christine S. Conway	Section 6.3, N
Sonia Cruz	Section 6.3, C1, F
Linh Dao	Section 6.3, C1, F
Essie Elcock	Section 6.3, C1, F
Bernardine M. Ferguson	Section 6.3, C1, F
Louann Fernandez	Section 6.3, C1
Jeremy Finkelstein	Section 6.3, C1, F, I
Patricia A. Gagnon	Section 6.3, N
Edward Gonzalez	Section 6.3, C1, F
Evangeline R. Gonzales	Section 6.3, C1, F
Rosilyn Goodrich	Section 6.3, C1, F
Eric A. Halperin	Section 6.3, C1
Tara E. Hanley	Section 6.3, C1, F
Cecilia Hill	Section 6.3, N
Robert Hirsch	Section 6.3, C1, F, I
Roogin Jhingoor	Section 6.3, C1, F

NAME	SIGNING POWER AUTHORITY
Regina F. Johnson	Section 6.3, C1, F
Lennox P. Jones	Section N
Benjamin T. Laurenzi	Section 6.3, C1, F
Ada L. Li	Section 6.3, C1, F
Enrique Lopez	Section 6.3, C1, F
Laura Lopez	Section 6.3, C1, F
Eileen Lostetter	Section 6.3, C1, F
Julianne Medici	Section N
Melissa Minneci	Section 6.3, C1, F, I
Konstantin Mirnitchenko	Section 6.3, C1, F
Herbert Moise	Section 6.3, C1, F
Chitkumari Narain	Section 6.3, C1, F
Jean F. Newman	Section 6.3, C1
Bridgette Oakley	Section N
Henry Ortiz	Section 6.3, C1, F
Linda Ortiz	Section 6.3, C1, F
Dario Parente	Section 6.3, C1, F, I
Laureen Pascal	Section 6.3, C1, F, H, I, N
Sudhanshu R. Patel	Section 6.3, C1, F
Sandra Reimers-Vincent	Section 6.3, C1, F
Leticia Robles	Section 6.3, C1, F
Circe M. Saint-Fleur	Section 6.3, C1, F
Rolando Salazar	Section 6.3, C1, F
Antoinette Santoro	Section 6.3, C1, F, I
Lloyd Sarfaty	Section N
O.D. Scott, Jr.	Section 6.3H
Ula Seaforth	Section 6.3, C1, F, I
Stevenson E. Selman	Section 6.3, C1, F
Joseph Shields	Section 6.3, C1, F
Beverly A. Steele	Section 6.3, C1, F
Lorenzo M. Sterling	Section 6.3, C1, I
Debbie Stoddart	Section 6.3, C1, F

NAME	SIGNING POWER AUTHORITY
Shanna Sukhnanan	Section 6.3, C1,F,H,I,N
Sherma Thomas	Section 6.3, C1
Diana Torres	Section 6.3, C1, F
Janet Torres	Section 6.3, C1, F
Phoung Tran	Section 6.3, C1, F
Sandra Vega-Aviles	Section 6.3, C1, F
Mavis A. Walfall	Section 6.3, C1, F
Gregg S. Weissman	Section 6.3, C1, F
Janet Wong	Section 6.3, C1, F
Sook Yap	Section 6.3, C1, F
Simona Zigelboym	Section 6.3, C1, F
Charlene A. Zuljevic	Section 6.3, C1, F

Joseph M. Velli
Senior Executive Vice President

EXHIBIT F

Certificate of Port Authority

I, Francis DiMola, certify that I am the duly qualified and acting Assistant Director (Properties and Commercial Development) of the Aviation Department of the Port Authority of New York and New Jersey (the *"Port Authority"*). Capitalized terms used herein without definition shall have the meanings specified in the Consent to Subleases and Leasehold Mortgage Agreement to be dated July 31, 2002 (the *"Consent Agreement"*). I further certify, in connection with the issuance by the New York City Industrial Development Agency of $500,000,000 aggregate principal amount of its Special Facility Revenue Bonds, Series 2002A and Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project), pursuant to Section 4.2 of the Consent Agreement, that the Port Authority has received (1) the form of Leasehold Mortgage, which is in the same form as Exhibit G of the Consent Agreement (which includes a copy of the Consent Agreement and Section 92 as attachments thereto), and on such basis such form of Leasehold Mortgage is acceptable; and (2) the opinion given by the Company's counsel with respect to the Leasehold Mortgage, which is in the form of Exhibit J of the Consent Agreement.

Dated July 31, 2002

Assistant Director
(Properties and Commercial Development)
Aviation Department

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 15, 2002

New Issue — Book-Entry-Only

In the opinion of Winston & Strawn, New York, New York, Bond Counsel, under existing statutes and court decisions, assuming the accuracy of certain representations and certifications and continuing compliance with certain covenants, interest on the Series 2002 Bonds is not included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). No opinion is expressed by Bond Counsel as to the exclusion from gross income of interest on any Series 2002 Bond during the period that such Series 2002 Bond is held by a "substantial user" of the facilities financed by the Series 2002 Bonds or a "related person" within the meaning of Section 147 (a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2002 Bonds will be treated as a preference item to be included in calculating the alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2002 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York, and that the Series 2002 Bonds are exempt from all taxation directly imposed thereon by or under the authority of said State, except for transfer and estate taxes. See "TAX MATTERS" in this Official Statement.

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$92,955,000* Series 2002A
$96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

Dated: July 1, 2002

Maturities: as shown on the inside front cover
Long-Term Interest Rates: as shown on the inside front cover

The Series 2002A Bonds, the Series 2002B Bonds, the Series 2002C Bonds and the Series 2002D Bonds (collectively, the *"Series 2002 Bonds"*) are being issued by the New York City Industrial Development Agency (the *"Agency"*) to provide funds to finance a portion of the cost of the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) and the acquisition, construction and equipping of a new passenger terminal and related facilities at the Airport (the *"Facility"*) for use by American Airlines, Inc. (the *"Company"*), to reimburse the Company for the payment of such costs, and to pay costs of issuance related to the Series 2002 Bonds. The Series 2002 Bonds are special revenue obligations of the Agency and will be payable (except to the extent payable from proceeds of the Series 2002 Bonds and certain other moneys pledged therefor) solely from payments to be made pursuant to an IDA Lease Agreement between the Agency and

American Airlines, Inc.

Payment of the principal and purchase price of, premium, if any, and interest on the Series 2002 Bonds when due will also be unconditionally guaranteed by the Company and by

AMR Corporation

pursuant to the terms of separate Guaranties (the *"Guaranties"*) from the Company and AMR Corporation ("AMR"). The land on which the Facility is to be located, together with certain buildings, structures, improvements and related facilities on such land (the *"Premises"*), have been subleased to the Company by The Port Authority of New York and New Jersey pursuant to the Port Authority Lease (as defined herein) which, unless extended, expires on December 27, 2015. Upon substantial completion of the buildings, structures, improvements and related facilities constituting the Facility, excluding moveable equipment (the *"Leased Facilities"*), and the satisfaction of certain other requirements as described herein, the Company is obligated to grant a leasehold mortgage to The Bank of New York (the *"Leasehold Mortgagee"*) upon the Company's leasehold interest in the Premises (which includes the Leased Facilities) under the Port Authority Lease as described herein (the *"Leasehold Mortgage"*). If it becomes effective, the Leasehold Mortgage will secure the payment obligations of the Company and AMR under the Guaranties. **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities are substantially completed and certain other conditions described herein are satisfied. The ability of the Leasehold Mortgagee to relet the Premises pursuant to the Leasehold Mortgage is subject to significant limitations and preconditions as described herein.**

The Series 2002 Bonds are special and limited obligations of the Agency, payable as to the principal, redemption price, if applicable, and purchase price thereof, and interest thereon, solely from the Trust Estate (as defined herein). Neither the State of New York (the *"State"*), nor any political subdivision thereof, including The City of New York (the *"City"*), shall be obligated to pay the principal, redemption price, if applicable, or purchase price of, or interest on, the Series 2002 Bonds. Neither the faith and credit nor the taxing power of the State, nor any political subdivision thereof, including the City, is pledged to such payment of the Series 2002 Bonds. The Series 2002 Bonds will not be payable out of any funds of the Agency other than those pledged therefor pursuant to the Indenture (as defined herein). The Series 2002 Bonds will not give rise to a pecuniary liability or charge against the credit or taxing powers of the State or any political subdivision thereof, including the City. The Agency has no taxing power.

Interest on the Series 2002 Bonds will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of the Series 2002 Bonds will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. Payments of principal, premium, if any, purchase price and interest will be made to purchasers by DTC through its participants.

The Series 2002 Bonds will be subject to optional, extraordinary optional, sinking fund and mandatory redemption prior to their respective maturity dates, in each case at the redemption prices, in the manner and at the times set forth in this Official Statement.

INVESTMENT IN THE SERIES 2002 BONDS INVOLVES SIGNIFICANT RISKS. SEE "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE GIVEN PARTICULAR ATTENTION BY PROSPECTIVE PURCHASERS OF THE SERIES 2002 BONDS.

The Series 2002 Bonds are offered when, as and if issued by the Agency and accepted by the Underwriters, subject to prior withdrawal or modification of the offer without notice, the approval of legality by Winston & Strawn, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Richard E. Marshall, Vice President for Legal Affairs. Certain legal matters will be passed upon for AMR Corporation and American Airlines, Inc. by Anne H. McNamara, Senior Vice President and General Counsel of AMR Corporation and of American Airlines, Inc., and for the Underwriters by their counsel, Chapman and Cutler, Chicago, Illinois. It is expected that delivery of the Series 2002 Bonds in definitive form will take place through the facilities of DTC on or about July __, 2002.

Salomon Smith Barney

Merrill Lynch & Co. | JPMorgan

Bear Stearns & Co. Inc.

BNY Capital Markets, Inc. | Morgan Stanley | SunTrust Capital Markets

_____, 2002

* Preliminary, subject to change.

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$ 92,955,000* Series 2002A
$ 96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

$92,955,000* Series 2002A Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$28,215,000*	August 1, 2017*	____%	____%
$64,740,000*	August 1, 2022*	____%	____%

$96,590,000* Series 2002B Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$96,590,000*	August 1, 2027*	____%	____%

$144,465,000* Series 2002C Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$144,465,000*	August 1, 2032*	____%	____%

$165,990,000* Series 2002D Bonds

Amount	Maturity Date	Long-Term Interest Rate	Price or Yield
$165,990,000*	August 1, 2036*	____%	____%

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* Preliminary, subject to change.

The information contained in this Official Statement (which term shall be deemed to include the Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained from the Agency, the Company, AMR Corporation ("*AMR*") and other sources deemed reliable. The information concerning DTC has been obtained from DTC. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the Agency, the Company or AMR since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the Agency, the Company, AMR or the underwriters named on the cover page hereof (the "*Underwriters*") to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE CITY OF NEW YORK

Michael R. Bloomberg, Mayor

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
110 William Street
New York, New York 10038

Board of Directors

Andrew M. Alper, Chairman
Derek B. Park, Vice Chairman
Amanda M. Burden, Chair of the City Planning Commission of The City of New York (*ex officio*), Eric Kober, alternate
William C. Thompson, Comptroller of The City of New York (*ex officio*), Rita J. Sallis, alternate
Daniel L. Doctoroff, Deputy Mayor for Economic Development and Rebuilding of The City of New York (*ex officio*), Roy Bahat, Alternate
Michael A. Cardozo, Esq., Corporation Counsel of The City of New York (*ex officio*), Leonard Wasserman, Esq., alternate
Irvin K. Culpepper, Jr.
Joseph Isaac Douek
Bernard Haber
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Julius Rendinaro
Alan L. Rivera, Esq.
E. Rico Velez (pending appointment)
Marilyn Weitzman

Administration
Barbara Basser-Bigio, Executive Director
Carolyn Edwards, Deputy Executive Director
Richard E. Marshall, Esq., Vice President for Legal Affairs
Deo Singh, Treasurer

OFFICIAL STATEMENT

$500,000,000*
New York City Industrial Development Agency
Special Facility Revenue Bonds
(American Airlines, Inc. John F. Kennedy International Airport Project)
$ 92,955,000* Series 2002A
$ 96,590,000* Series 2002B
$144,465,000* Series 2002C
$165,990,000* Series 2002D

INTRODUCTORY STATEMENT

This Official Statement, including the cover, the inside front cover, the table of contents, the Appendices and all documents incorporated herein by reference, is provided to furnish information in connection with the sale by the New York City Industrial Development Agency (the *"Agency"*) of its (i) Special Facility Revenue Bonds, Series 2002A (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $92,955,000* (the *"Series 2002A Bonds"*), (ii) Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $96,590,000* (the *"Series 2002B Bonds"*), (iii) Special Facility Revenue Bonds, Series 2002C (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $144,465,000* (the *"Series 2002C Bonds"*) and (iv) Special Facility Revenue Bonds, Series 2002D (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate principal amount of $165,990,000* (the *"Series 2002D Bonds"*). The Series 2002A Bonds, the Series 2002B Bonds, the Series 2002C Bonds and the Series 2002D Bonds (collectively, the *"Series 2002 Bonds"*) will be issued pursuant to and secured by a Master Indenture of Trust dated as of July 1, 2002 (the *"Master Indenture"*), as supplemented by a First Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002A Bonds), a Second Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002B Bonds), a Third Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002C Bonds) and a Fourth Series Supplemental Indenture of Trust dated as of July 1, 2002 (with respect to the Series 2002D Bonds) (collectively, the *"Indenture"*) between the Agency and The Bank of New York, New York, New York, as trustee (the *"Trustee"*).

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE OF NEW YORK (THE *"STATE"*), NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF NEW YORK (THE *"CITY"*), SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING

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* Preliminary, subject to change.

THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR, PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The Series 2002 Bonds are being issued to provide funds to finance a portion of the costs of the *"Project"* which consists of (i) the demolition of Terminals 8 and 9 at John F. Kennedy International Airport (the *"Airport"*) in Queens, New York, and (ii) the acquisition, construction and equipping of a new air passenger terminal together with related arrival and departure access ramps (the *"Facility"*) to be used and managed by American Airlines, Inc., a Delaware corporation (the *"Company"*). The land on which the Facility is to be located, together with the buildings, structures, improvements and related facilities on such land (the *"Premises"*), are owned by the City and are leased by the City to The Port Authority of New York and New Jersey (the *"Port Authority"*) pursuant to an Agreement of Lease dated April 17, 1947, as amended and supplemented (the *"Basic Lease"*). The Basic Lease is currently scheduled to expire on December 31, 2015. The Premises have been subleased by the Port Authority to the Company pursuant to an Agreement of Lease entered into as of August 1, 1976, as supplemented and amended and as further supplemented, amended and restated in an Amended and Restated Lease dated as of December 22, 2000, as further supplemented, amended or modified from time to time (the *"Port Authority Lease"*). The Port Authority Lease is currently scheduled to expire on December 27, 2015 (subject to extension(s)). The Company and the Agency will enter into a Company Sublease Agreement dated as of July 1, 2002 (the *"Company Sublease"*), pursuant to which the Company will sub-sublease to the Agency those portions of the Premises (but excluding any portion of the underlying land) subject to the Port Authority Lease which constitute the Facility (the *"Leased Facilities"*). Pursuant to an IDA Lease Agreement dated as of July 1, 2002 (the *"IDA Lease Agreement"*), the Agency will sub-sub-sublease the Leased Facilities, and lease certain equipment to be owned by the Agency and to be located at the Premises (the *"Facility Equipment"*), to the Company. The Leased Facilities and the Facility Equipment constitute the Facility.

The Company will be unconditionally obligated under the IDA Lease Agreement to make lease rental payments directly to the Trustee in an amount sufficient to pay the principal, redemption price, if applicable, and purchase price of, and interest on, all bonds issued under the Indenture, including the Series 2002 Bonds. The Indenture permits the issuance of additional bonds (the *"Additional Bonds"*) ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of bonds issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds: Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds." As used herein *"Bonds"* means the Series 2002 Bonds and all Additional Bonds issued under the Indenture.

Payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds (including the Series 2002 Bonds) issued under the Indenture will be guaranteed by the Company pursuant to a Guaranty dated as of July 1, 2002 from the Company to the Trustee (the *"Company Guaranty"*) and also will be guaranteed by AMR Corporation (*"AMR"*) pursuant to a Guaranty dated as of July 1, 2002 from AMR to the Trustee (the *"AMR Guaranty"*). The Company is a wholly owned subsidiary of AMR. The AMR Guaranty and the Company Guaranty are herein referred to as the *"Guaranties."* See "SECURITY FOR THE BONDS—The Guaranties."

As security for the payment of its obligations under the Company Guaranty and the payment of AMR's obligations under the AMR Guaranty, the Company is obligated to grant to the Trustee, as leasehold mortgagee (the *"Leasehold Mortgagee"*), a leasehold mortgage in the Company's interest in the Premises under the Port Authority Lease pursuant to a Leasehold Mortgage and Security Agreement (the *"Leasehold Mortgage"*). **The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and certain other requirements (defined in the Port Authority Lease as the *"Reletting Rights Effective Date Conditions"* and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"*) have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement referred to below, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty, and (iii) the unsecured obligation of AMR under the AMR Guaranty. The delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."**

If the Leasehold Mortgage becomes effective, the Leasehold Mortgagee, subject to significant restrictions, the satisfaction of certain requirements and significant payment obligations, all as set forth in the Port Authority Lease and described herein, will have the right following a Leasehold Mortgage Default as described herein to identify to the Port Authority a Qualifying Replacement Tenant. In accordance with the provisions of the Port Authority Lease, acceptance of any Qualifying Replacement Tenant is subject to the approval of the Port Authority. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

The Company currently estimates that substantial completion of the Leased Facilities will occur in August 2006 and the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether a Reletting Rights Effective Date Condition relating to the amount of qualified costs incurred by the Company has been fulfilled). See "THE PROJECT;

PLAN OF FINANCE" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Redevelopment Work." The Port Authority Lease contains significant economic incentives for the Company to substantially complete the Leased Facilities in a timely manner and to satisfy the Reletting Rights Effective Date Conditions related to the construction of the Leased Facilities. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent." The failure of the Company to satisfy the remaining Reletting Rights Effective Date Conditions (which are procedures to ensure, among other things, that the Company has incurred the required amount of qualified costs in connection with construction of the Leased Facilities) following substantial completion of the Leased Facilities will be a default under the IDA Lease Agreement. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Events of Default; Remedies—*Events of Default.*"

As further security for the Series 2002 Bonds and any Additional Bonds, the Company, the Agency and the Trustee will execute an Equipment Security Agreement dated as of July 1, 2002 pursuant to which the Company and the Agency will grant to the Trustee a security interest in certain Facility Equipment (the *"Equipment Security Agreement"*).

The Port Authority will consent to the Company Sublease, the IDA Lease Agreement and the Leasehold Mortgage in a Consent to Subleases and Leasehold Mortgage Agreement among the Port Authority, the Company, AMR, the Agency and the Trustee (the *"Port Authority Consent"*). A violation by the Company of certain provisions of the Port Authority Consent is deemed to be a material default under the Port Authority Lease. See APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage*" and "—*Defaults.*"

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." Should the Basic Lease not be extended, the City will agree to lease the Premises directly to the Company (such lease is herein called the *"New City/American Lease"*) pursuant to an Agreement Towards Entering Into a Lease between the City and the Company (the *"Agreement Towards Entering Into a Lease"*). The City is not obligated to enter into the New City/American Lease with the Company unless certain conditions are satisfied as described in the Agreement Towards Entering Into a Lease. The New City/American Lease will contain terms and conditions specified in the Agreement Towards Entering Into a Lease and may contain such additional terms and conditions as the City or its designee deems appropriate in good faith. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease.*" **As a result, the New City/American Lease may contain provisions that diminish the value and marketability of the Company's leasehold, or that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability**

of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting." See also "SECURITY FOR THE BONDS—The Agreement Towards Entering Into a Lease," "—New Leasehold Mortgage Upon Expiration of the Basic Lease" and "— Company Sublease; The Lease Term Differential" and "RISK FACTORS—Leasehold Term" and "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

The Leasehold Mortgage will terminate upon the expiration of the Basic Lease. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, provided certain conditions are met. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease but must be negotiated at such time and be satisfactory to the City. As a result, such new leasehold mortgage may contain provisions that diminish the value of a leasehold mortgage of the Company's interest in the Premises. In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to grant to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant to the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease" for a summary of the terms of the Agreement Towards Entering Into a Lease. Certain bankruptcy and lien priority issues also are raised with respect to the leasehold mortgage covering the New City/American Lease. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities," "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" and "—Certain Considerations under the United States Bankruptcy Code."

The Company and the City will also enter into a Recognition, Non-Disturbance and Attornment Agreement (the *"City Attornment Agreement"*) pursuant to which the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date (December 31, 2015 unless extended) and if (i) the Company is not at such time a Prohibited Person, (ii) the Company is not in default under the Port Authority Lease and no event then exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iii) the Company is still the tenant under the Port Authority Lease, (iv) no event has occurred which would permit the commencement of the exercise of the Reletting Rights, and (v) no Triggering Event has occurred, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the City upon all terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the City will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a

leasehold mortgage therein) and (C) the Company will recognize the City as its direct landlord thereunder. In such event the Leasehold Mortgage, if it has then become effective, would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement" for a summary of the terms of the City Attornment Agreement. See also "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

Each series of the Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates to their respective maturity dates as shown on the inside front cover of this Official Statement. The Indenture provides that the Bonds of each series of the Series 2002 Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their respective maturity dates) that such Series 2002 Bonds would otherwise be subject to optional redemption as described below under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company.*" In such case, such Series 2002 Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of such Series 2002 Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had such Series 2002 Bonds been optionally redeemed on such date, together with accrued interest, if any. **This Official Statement describes the Series 2002 Bonds only while they bear interest at the initial Long-Term Interest Rates set forth on the inside front cover of this Official Statement.**

The Series 2002 Bonds will mature on the dates set forth on the inside front cover of this Official Statement and will be subject to redemption as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity." Interest on the Series 2002 Bonds bearing interest at Long-Term Interest Rates will accrue from July 1, 2002, and will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter, and will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2002 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository for the Series 2002 Bonds. Purchases of Series 2002 Bonds bearing interest at Long-Term Interest Rates will be made only in book-entry form through DTC participants in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof, and no physical delivery of Series 2002 Bonds will be made to purchasers. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" shall mean Cede & Co., and shall not mean the beneficial owners of the Series 2002 Bonds. See "THE SERIES 2002 BONDS—Book-Entry-Only System."

Brief descriptions of the Agency, the Series 2002 Bonds, the Indenture, the IDA Lease Agreement, the Company Sublease, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the Equipment Security Agreement and the Guaranties are included in this Official Statement. Appendix A to this Official Statement furnishes, or incorporates by reference, information with respect to the Company and AMR. Appendix B to this Official Statement contains certain definitions used herein and in the Appendices hereto. Appendix C to this

Official Statement contains a summary of certain provisions of the IDA Lease Agreement. Appendix D to this Official Statement contains a summary of certain provisions of the Indenture. Appendix E to this Official Statement contains a summary of certain provisions of the Guaranties. Appendix F to this Official Statement contains a summary of certain provisions of the Port Authority Lease. Appendix G to this Official Statement contains a summary of certain provisions of the Port Authority Consent and the form of Leasehold Mortgage. Appendix H to this Official Statement contains a summary of certain provisions of the Agreement Towards Entering Into a Lease and the City Attornment Agreement. Appendix I to this Official Statement sets forth the form of opinion of Bond Counsel. The Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. is attached hereto as Appendix J. The assumptions, findings and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency, the Underwriters or the Company. The descriptions in this Official Statement (including the Appendices hereto) of the IDA Lease Agreement, the Company Sublease, the Indenture, the Guaranties, the Equipment Security Agreement, the Port Authority Lease, the form of Leasehold Mortgage, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement are qualified in their entirety by reference to such documents, and the descriptions in this Official Statement (including the Appendices hereto) of the Series 2002 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained during the initial offering period from the principal offices of the Underwriters and, after the initial delivery of the Series 2002 Bonds, at the principal corporate trust office of the Trustee in New York, New York. All capitalized terms used herein (including in the Appendices) and not defined herein or in Appendix B hereto shall have the meanings set forth in the Indenture.

THE AGENCY

The Agency was established in 1974 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State duly organized and existing pursuant to Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York and Chapter 1082 of the 1974 Laws of New York, as amended (collectively, the *"Act"*) for the purposes of promoting the economic welfare of the inhabitants of the City and promoting, developing, encouraging and assisting in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreational and civic facilities, thereby advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their recreational opportunities, prosperity and standard of living.

Under the Act, the Agency has power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the geographical jurisdictional limits of the City; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects; to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Agency may deem desirable;

to designate depositories for its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

The members of the Board of Directors of the Agency are listed earlier in this Official Statement.

To support its activities, the Agency contracts with the New York City Economic Development Corporation (*"EDC"*) to provide staff and technical assistance. EDC is a not-for-profit local development corporation which includes among its purposes the administration of government financing programs which foster business expansion in the City.

The Agency has heretofore authorized and issued revenue bonds under the Act for the benefit of various borrowers. Each series of such revenue bonds constitutes a separate, special obligation of the Agency payable only from revenues received from the specific borrower benefited thereby or from other limited sources and the full faith and credit of the Agency was not pledged to secure the payment of principal of, premium, if any, or interest on such bonds.

Neither the members, directors, officers or agents of the Agency nor any person executing the Series 2002 Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER. THE AGENCY HAS NOT VERIFIED, REVIEWED OR APPROVED AND DOES NOT REPRESENT OR WARRANT IN ANY WAY THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO (OTHER THAN THE STATEMENTS AND INFORMATION SET FORTH UNDER "THE AGENCY" AND THE INFORMATION RELATING TO THE CITY AND THE AGENCY ON THE PAGE IMMEDIATELY FOLLOWING THE TABLE OF CONTENTS).

THE AIRPORT

Pursuant to the Basic Lease, the Airport is leased, together with LaGuardia Airport, to the Port Authority by the City for a term extending to December 31, 2015. Opened on July 1, 1948, the Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. The Airport consists of approximately 4,956 acres, including 880 acres in the Central Terminal Area. The Central Terminal Area contains nine individual airline passenger terminals surrounded by a dual ring of peripheral taxiways. Six hangars are used to provide aircraft maintenance and storage for aircraft parts and equipment. Two patron parking structures, 35 cargo buildings to accommodate the demand for cargo space, a 520-room hotel, and a cogeneration facility integrating an installation for the generation of electrical energy with the Airport's central heating, refrigeration plant and thermal distribution system, are also located at the Airport. The four major runways now in use range in length from approximately 8,400 feet to 14,600 feet. For additional information regarding the Airport, see APPENDIX J—"GATE DEMAND STUDY."

THE PROJECT; PLAN OF FINANCE

The Project

The Project consists of (i) the demolition of Terminals 8 and 9 at the Airport, and (ii) the acquisition, construction and equipping of a new air passenger terminal (the *"Terminal"*) together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C of the Terminal to the main Terminal building. The Company currently plans for the Terminal to consist of an approximately 2 million square foot, 55 gate terminal building and central ticketing facility. The Terminal will replace the Company's two existing terminals at the Airport, currently designated as Terminals 8 and 9, creating what the Company believes will be one of the best and most advanced passenger terminal facilities at the Airport. When completed, the Terminal will enhance the position of the Airport as one of the United States' premier international gateways.

The description of the Project set forth below reflects the Company's existing design and construction plans for the Terminal. To permit the Leasehold Mortgage to be executed, delivered and recorded, the Company must satisfy the Required Conditions (as defined under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions to Execution, Delivery and Recording of the Leasehold Mortgage*"), which generally require that the Terminal contain 55 gates or such other number of gates as shall have been approved by the Port Authority, and that the Company incur not less than $850,000,000 of qualified costs in connection with construction of the Leased Facilities. The Company's plans for the Terminal could change (for example, the Company could decide to construct fewer than 55 gates in the Terminal), but the Company expects that in any event the Terminal, when completed, will satisfy the Required Conditions.

The Terminal will contain three concourses. Concourses A and B will extend from the main Terminal area. Concourse A will be a second level concourse that will provide 18 gates with passenger loading devices for regional aircraft operated by American Eagle. Concourse B will be part of the main Terminal building, will have 20 gates, and will provide gating for both

narrowbody and widebody aircraft. All gates on Concourse B will accommodate international and domestic arrivals and departures. Concourse C will have 17 gates and will be linked to the main Terminal building by a 320-foot underground tunnel with moving walkways. Concourse C also will provide gating for narrowbody and widebody aircraft. Eleven gates on Concourse C will accommodate domestic arriving flights and international or domestic departing flights. All other gates in Concourse C will accommodate international or domestic arriving flights and departing flights.

The concourses are planned to consist of 37 gates for main line aircraft and 18 gates for regional jet aircraft that each will accommodate up to a 70-seat regional jet. The Company expects that the finished Terminal will be able to accommodate up to 40,000 passengers a day.

To allow customers to move through the Terminal smoothly and efficiently, the Terminal will have four primary levels: one for arrivals, one for baggage handling, one for departures, and one for clubs, lounges and offices.

The departures level will include curbside check-in positions and main ticket counter check-ins, each with take-away belts for baggage. The positions will be arranged in five check-in islands. For arriving international passengers, there will be a Federal Inspection Service (customs and immigration) facility planned to process up to 2,400 people an hour. This facility is designed to feature 22 customs positions, 48 immigration positions and six baggage claim carousels, each with 250 linear feet for baggage pickup. Outside of the facility, there will be an area designated for meeting arriving passengers.

The Terminal is planned to feature two Admirals Clubs, an Arrivals Lounge and a Flagship Lounge.

Integral to the design of the Terminal is a new two-level roadway – one for arrivals and the other for departures. Each is planned to have 900 linear feet of curb space. In addition, the Terminal will be linked to other terminals at the Airport and the Airport's parking areas by the Airport's light rail AirTrain system that is currently under construction. Portions of the light rail AirTrain system are expected to begin operating by the fourth quarter of 2002.

The Terminal's planned retail and concession program is expected to encompass 74 specialty stores consisting of retail, duty free, newsstand and food and beverage facilities and financial and passenger services facilities, including business centers and currency exchanges. The retail and concession program is expected to provide approximately 90,000 square feet of concession space. The concession program's primary goal will be customer satisfaction through provision of a broad variety of quality products and services to travelers and Airport users with innovative concepts that impart broad customer appeal. The concession program is intended to enhance the Terminal as a major international point of entry/departure at the Airport.

The Company has selected DMJM Aviation as architect/engineer for the Project. DMJM Aviation specializes in aviation planning, programming, environmental analysis, engineering, design, construction/program management, and selected specialty technical services. DMJM Aviation incorporates the aviation resources of Day & Zimmermann Infrastructure: Daniel,

Mann, Johnson, & Mendenhall; and Turner Collie & Braden. The firm's recent projects include major airport development programs at Chicago O'Hare, Edmonton, Miami, Philadelphia, Phoenix Sky Harbor, Salt Lake City, Southwest Florida, San Francisco, Washington Dulles and Ronald Reagan National Airport.

Construction of the Leased Facilities began in October 1999. The Company currently expects to meet the project milestones of opening Concourse C in February 2003, completing the Terminal C tunnel/connector and mid-section of the main Terminal by December 2003, opening the west portions of Concourses A and B and the Federal Inspection Service facility by July 2004, and opening the east portions of Concourses A and B by August 2006. At the end of May 2002, Concourse C was 60% complete and 70% of the structural steel installation for the main Terminal was complete. To date the Company has spent approximately $350,000,000 on the Leased Facilities (all of which the Company believes are proper Redevelopment Work costs that will apply towards satisfaction of the Required Condition requiring the Company to incur at least $850,000,000 in qualifying costs in connection with construction of the Leased Facilities). See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Redevelopment Work."

Plan of Finance

The proceeds of the Series 2002 Bonds will be used (i) for payment of a portion of the cost of design, construction, equipping, and installation of the Facility, (ii) to fund deposits to the applicable Construction Accounts of the Project Fund to fund construction through approximately November 30, 2002 and (iii) to pay the costs of issuance of the Series 2002 Bonds.

The Company's current plan is to issue Additional Bonds in 2003, 2004 and 2005 to fund completion of the Facility and to reimburse the Company for moneys advanced by it for construction of the Facility.

APPLICATION OF PROCEEDS OF THE SERIES 2002 BONDS

The proceeds to be received from the sale of the Series 2002 Bonds will be applied substantially as shown below:

Reimbursement to the Company for Project costs	$_____
Deposit to the Project Fund to finance a portion of the Project	_____
Underwriting discount	_____
Issuance costs(1)	_____
Total uses of funds	$_____

(1) Includes rating agency, legal, accounting, financial advisory, consulting, printing and other fees and expenses.

THE SERIES 2002 BONDS

General

The Series 2002 Bonds offered hereby will bear interest at the Long-Term Interest Rates set forth on the inside front cover of this Official Statement, subject to their prior redemption as described below under "—Redemption Prior to Maturity," to their respective maturity dates (each a *"Long-Term Interest Rate Period"*) and are issuable in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. The owners of the Series 2002 Bonds will **not** have the right to optionally tender their Series 2002 Bonds for purchase during such Long-Term Interest Rate Periods. The Indenture provides that the Bonds of each series of Series 2002 Bonds may be converted to bear interest at a different Long-Term Interest Rate, or at a Daily Interest Rate, a Weekly Interest Rate or Bond Interest Term Rates on a date (prior to their respective maturity dates) that such series of Series 2002 Bonds would otherwise be subject to optional redemption as described below under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company.*" In such case, such series of Series 2002 Bonds would be subject to mandatory tender at a purchase price equal to 100% of the principal amount of such series of Series 2002 Bonds being so converted, plus any premium that would have been payable on such mandatory tender date had such series of Series 2002 Bonds been optionally redeemed on such date, together with accrued interest, if any. At the time of such mandatory tender of a series of Series 2002 Bonds, such series of Series 2002 Bonds may be remarketed by a Remarketing Agent to be appointed by the Company prior to such time.

Interest on the Series 2002 Bonds during the initial Long-Term Interest Rate Periods will accrue from July 1, 2002 and will be payable on February 1, 2003, and semiannually on each August 1 and February 1 thereafter (each, an *"Interest Payment Date"*) to registered owners as of the 15th day immediately preceding such Interest Payment Date (each, a *"Record Date"*). If a February 1 or August 1 is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day, but no additional interest will accrue. Interest on the Series 2002 Bonds offered hereby will be computed during the initial Long-Term Interest Rate Periods on the basis of a year of 360 days consisting of twelve 30-day months, and will be payable by check mailed or otherwise delivered to the registered owner thereof on the date that such interest is due at the address of such registered owner shown on the registration books kept by the Trustee, as Bond Registrar, as of the close of business on the Record Date or, in the case of Series 2002 Bonds owned by an owner who is the registered owner of Series 2002 Bonds of such series in an aggregate principal amount of at least $500,000 and who, prior to the Record Date next preceding any Interest Payment Date, shall have provided, or caused to be provided, to the Trustee, as Paying Agent, wire transfer instructions, by wire transfer. Payment of the principal of, premium, if any, and interest on the Series 2002 Bonds shall be in lawful money of the United States of America. So long as Series 2002 Bonds are registered in the name of Cede & Co., registration of the Series 2002 Bonds and provisions relating to the delivery or presentation of the Series 2002 Bonds shall be handled in accordance with the procedures of DTC described below and the provisions of the Indenture relating to DTC's book-entry-only system described below.

Book-Entry-Only System

General. When the Series 2002 Bonds are issued, only beneficial ownership interests will be available to purchasers through a book-entry-only system maintained by DTC (the *"Book-Entry-Only System"*). The following discussion will not apply to Series 2002 Bonds if issued in physical form due to the discontinuance of the DTC system. See "*—Discontinuance of Book-Entry-Only System.*"

DTC will act as securities depository for the Series 2002 Bonds. The Series 2002 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Series 2002 Bonds, each in the aggregate principal amount of that maturity, and will be deposited with DTC.

DTC, the world's largest depository, 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 Exchange Act (hereinafter defined). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the *"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). Direct Participants and Indirect Participants are collectively referred to as *"Participants."* DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com.**

Purchases of Series 2002 Bonds under the Book-Entry-Only System must be made by or through Direct Participants, which will receive a credit for the Series 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond (the *"Beneficial Owner"*) is in turn to be recorded in the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Series 2002 Bonds are to be accomplished 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 Series 2002 Bonds, except in the event that use of the Book-Entry-Only System for the Series 2002 Bonds is discontinued. See "*—Discontinuance of Book-Entry-Only System.*"

To facilitate subsequent transfers, all Series 2002 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2002 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 Bonds 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.

Beneficial Owners of Series 2002 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2002 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2002 Bond documents. For example, Beneficial Owners of Series 2002 Bonds may wish to ascertain that the nominee holding the Series 2002 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption and mandatory tender notices shall be sent to DTC. If less than all of the Series 2002 Bonds within a series are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in the series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2002 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and purchase price of, and premium, if any, and interest on the Series 2002 Bonds will be made to Cede & Co. or such other nominee as may be requested by an

authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds 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 (or its nominee), the Trustee, the Company, AMR or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, purchase price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee (or the applicable Tender Agent with respect to purchase price), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

The requirement for physical delivery of Series 2002 Bonds in connection with a mandatory tender will be deemed satisfied when the ownership rights in such Series 2002 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such Series 2002 Bonds to the applicable Tender Agent's DTC account.

Discontinuance of Book-Entry-Only System. Certificates representing replacement Series 2002 Bonds may be issued directly to Beneficial Owners of such Series 2002 Bonds in the event that (a) DTC determines to discontinue providing its services with respect to the Series 2002 Bonds; (b) the Agency, in consultation with the Company, and without the consent of the Trustee, the Beneficial Owner of any Series 2002 Bond or any other person, terminates the services of a depository with respect to a series of Series 2002 Bonds if the Agency determines (i) the depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds of such series issued in book-entry form be registered in the registration books of the Agency in the name of the depository, is not in the best interest of the Beneficial Owners of such Bonds, or (c) the Agency shall terminate the services of the depository upon receipt by the Agency and the Trustee of written notice from DTC that it has received written requests that DTC be removed from its participants having beneficial interest, as shown in the records of DTC, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Bonds of such series for which DTC is serving as depository. If no successor is appointed, the Bond Registrar will transfer one or more separate Series 2002 Bonds of a series to owners identified by the securities depositary having Series 2002 Bonds of such series credited to their accounts. In such event, such Series 2002 Bonds will no longer be restricted to being registered in the registration books in the name of the securities depository.

Beneficial Owners have no right to a Book-Entry-Only System or a depository for the Series 2002 Bonds.

If the Series 2002 Bonds are issued in physical form due to the discontinuance of the Book-Entry-Only System, the provisions of the Indenture with respect to payment and registration of the Series 2002 Bonds that are not in the Book-Entry-Only System will apply.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Series 2002 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Series 2002 Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (b) except as described above, notices that are to be given to registered owners will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters, the Agency, the Company or AMR.

Redemption Prior to Maturity

The Series 2002 Bonds offered hereby are subject to redemption as described below:

Optional Redemption at the Direction of the Company. The Series 2002 Bonds of each series are subject to optional redemption by the Agency, at the direction of the Company, during the periods specified below, in whole or in part on any date, at the redemption prices (expressed as a percentage of principal amount) specified below, together with accrued interest, if any, to the redemption date:

Redemption Periods	Redemption Prices
_____ 1, 2012 to _____ _, 2013	%
_____ 1, 2013 to _____ _, 2014	%
_____ 1, 2014 and thereafter	%

Extraordinary Optional Redemption Without Premium. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency (which option shall be exercised upon the giving of notice by the Company of its intention to prepay lease rentals due under the IDA Lease Agreement for such purpose), as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium, if one or more of the following events shall have occurred: (1) the Company shall have determined that the continued operation of all or substantially all of the Facility is impractical, uneconomical or undesirable for any reason, including, without limitation, the imposition upon the Company with respect to the Facility or the operation thereof of unreasonable burdens or excessive liabilities, which shall be deemed to include, without limitation, the imposition or substantial increase of ad valorem property taxes or taxes on the leasing or use of property at the Airport or on amounts payable with respect thereto; or (2) all or substantially all of the Facility shall have been damaged, destroyed, condemned or taken by eminent domain or have been sold under a reasonably comprehended threat of condemnation or the taking by eminent domain of such use or control of the Facility so as to render the Facility unsatisfactory for its intended use; or (3) the construction or operation of the Facility shall have been enjoined or prevented or shall have otherwise been

prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any Federal, state or local regulatory body, administrative agency or other governmental body.

Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project. The Series 2002 Bonds are subject to redemption prior to maturity, at the option of the Agency, as a whole only, on any date, in the event the Agency shall determine that the Company is not operating all or substantially all of the Facility as a qualified "project" under the Act, or is operating the Facility or any substantial portion thereof in violation in any material respect of applicable material law, and the Company fails to cure such noncompliance within the time periods set forth in the IDA Lease Agreement, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with interest accrued to the date of redemption, and without premium.

Mandatory Redemption Without Premium on Termination of the Company Sublease. In the event that the Company Sublease shall have terminated, the Series 2002 Bonds shall be subject to mandatory redemption prior to maturity, as a whole only, on any date, at a redemption price equal to 100% of the unpaid principal amount of the Series 2002 Bonds, together with accrued interest to the date of redemption, and without premium. See "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential" for a discussion of the events that could lead to the termination of the Company Sublease.

Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities. In the event that any portion of the Leased Facilities is released from the Port Authority Lease, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Series 2002 Bonds shall be subject to mandatory redemption in a principal amount (rounded down to the nearest authorized denomination) approximately equal to the Release Price. The redemption price of any Series 2002 Bonds so redeemed shall be equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium. The series and maturities of Series 2002 Bonds to be redeemed shall be determined by the Company.

Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability. The Series 2002 Bonds of each series are subject to mandatory redemption in whole or, under certain circumstances, in part, at a redemption price equal to 100% of the unpaid principal amount of such Series 2002 Bonds of such series, together with accrued interest to the date of redemption, and without premium, within 90 days following receipt by the Trustee of written notice from a current or former holder or Beneficial Owner of the Series 2002 Bonds of such series or the Company of a Determination of Taxability (defined below). All of the Series 2002 Bonds of such series shall be redeemed upon a Determination of Taxability as described above, unless, in the opinion of Bond Counsel, redemption of a portion of the Series 2002 Bonds of such series would have the result that interest payable on the remaining Series 2002 Bonds of such series outstanding after the redemption would not be includable for federal income tax purposes in the gross income of any holder or Beneficial Owner of a Series 2002 Bond of such series, other than a holder or Beneficial Owner who is a "substantial user" or a "related person" of such substantial user within the meaning of the Code (defined below), in which case only such portion shall be redeemed. A Determination of Taxability is defined in the Indenture with

respect to any series of Series 2002 Bonds as (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company has participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of judicial review or appeal exists, (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party or (iii) the delivery to the Agency and the Company of a written opinion of Bond Counsel, in any of the foregoing cases, to the effect that, as a result of a failure by the Company to observe any covenant or agreement of the Company in the IDA Lease Agreement or any applicable Tax Certificate or the inaccuracy of any Company representation or warranty therein, the interest payable on the Series 2002 Bonds of such series is includable in the gross income of the holders thereof for federal income tax purposes, other than a person who is a "substantial user" or a "related person" of such substantial user within the meaning of the Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder (the *"Code"*); *provided, however,* that no such Determination of Taxability shall be considered to exist with respect to (i) or (ii) above unless (x) the holder or Beneficial Owner or former holder or Beneficial Owner of such Series 2002 Bonds involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof and (y) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense or (B) the Company exhausts or chooses not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action that the Company determines to be appropriate, and no such Determination of Taxability as described in (iii) above shall be considered to exist if the Company gives the Agency prompt written notice of its intent to obtain (at the Company's expense) a second opinion and within 60 days of the receipt of the opinion described in (iii) above delivers to the Agency an opinion of a nationally recognized attorney or firm of attorneys, reasonably acceptable to the Agency and experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, to the effect that the failure to observe the covenant or agreement or the inaccuracy of the representation or warranty identified in the opinion described in (iii) above does not adversely affect the exclusion of interest on the applicable series of Series 2002 Bonds from gross income, for federal income tax purposes, of the holders (and agrees to take the action or actions, if any, required of the Company in the second opinion). No Determination of Taxability described above will result from the inclusion of interest on any Series 2002 Bond in the computation of minimum or indirect taxes.

Extraordinary Optional Redemption Without Premium to Preserve Tax Exempt Status of the Series 2002 Bonds. The Series 2002 Bonds of each series shall be subject to extraordinary optional redemption by the Agency, at the direction of the Company, in whole or in part on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, if the Company shall have delivered to the Trustee and the Agency an opinion of a nationally recognized attorney or firm of attorneys (reasonably acceptable to the Agency) experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions,

addressed to the Trustee and the Agency substantially to the effect that (i) a failure so to redeem Series 2002 Bonds of such series (or the relevant portion thereof) may adversely affect the exclusion of interest on the Series 2002 Bonds of such series from the gross income of the holders pursuant to Section 103 of the Code and (ii) redemption of Series 2002 Bonds of such series in the amount set forth in such opinion (but in no smaller amount than that set forth in such opinion) would permit the continuance of any exclusion so afforded under Section 103 of the Code.

Extraordinary Mandatory Redemption Without Premium Upon Exercise of Port Authority or City's Right to Terminate the Leasehold Mortgage. The Series 2002 Bonds shall be subject to extraordinary mandatory redemption prior to maturity on any date at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest to the date of redemption, and without premium, to the extent and as soon as practical following the Trustee's receipt of any moneys as a result of the exercise by the Port Authority of its right to terminate the Leasehold Mortgage under Section 92(v) of the Port Authority Lease or as a result of the exercise by the City of any similar right it may have under the New City/American Lease. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Buy Out Rights of Port Authority Prior to Foreclosure*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Port Authority Right to Purchase Leasehold Mortgage*."

Mandatory Sinking Fund Redemption. The Series 2002A Bonds due August 1, 2017* will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2015*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2015*	$_____
2016*	$_____
2017*†	$_____

†Final Maturity

The principal amount of the Series 2002A Bonds due August 1, 2017* to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed

* Preliminary, subject to change.

(otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002A Bonds due August 1, 2022* will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2018*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2018*	$_____
2019*	$_____
2020*	$_____
2021*	$_____
2022*†	$_____

†Final Maturity

The principal amount of the Series 2002A Bonds due August 1, 2022* to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002B Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2023*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2023*	$_____
2024*	$_____
2025*	$_____
2026*	$_____
2027*†	$_____

†Final Maturity

* Preliminary, subject to change.

The principal amount of the Series 2002B Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002C Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2028*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

August 1 of the year	Principal Amount
2028*	$_____
2029*	$_____
2030*	$_____
2031*	$_____
2032*†	$_____

†Final Maturity

The principal amount of the Series 2002C Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

The Series 2002D Bonds will be subject to redemption by lot in such manner as the Trustee determines pursuant to the terms of a mandatory sinking fund provided in the Indenture, on August 1 of each year, beginning August 1, 2033*, in the amounts set forth opposite such years in the following table, at the principal amount thereof, together with accrued interest to the date of redemption, and without premium:

* Preliminary, subject to change.

August 1 of the year	Principal Amount
2033*	$_____
2034*	$_____
2035*	$_____
2036*†	$_____

†Final Maturity

The principal amount of the Series 2002D Bonds to be redeemed pursuant to the sinking fund will, at the request of the Company, be reduced by the principal amount of any such Bonds which at least 30 days prior to any sinking fund redemption date: (1) have been delivered to the Trustee for cancellation or (2) have been purchased or redeemed (otherwise than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation.

If all of a series of the Series 2002 Bonds are redeemed as provided in any of the preceding paragraphs then (x) the failure by the Company to observe or perform a covenant or agreement in the IDA Lease Agreement or (y) the inaccuracy of any representation or warranty made by the Company in the IDA Lease Agreement or in the related Tax Certificate, either of which results in a Determination of Taxability with respect to such series, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002 Bonds of such series for any claims, damages, costs or expenses arising out of or based upon such failure by the Company.

If the lien of the Indenture has been defeased with respect to a series of Series 2002 Bonds prior to the occurrence of an event permitting or requiring redemption of a series of the Series 2002 Bonds, the affected series of Series 2002 Bonds will not be subject to redemption in the manner described above, except for any mandatory sinking fund redemption and any redemption provided for in connection with such defeasance. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Discharge of Indenture."

Selection of Series 2002 Bonds For Redemption. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series and maturity, the particular Series 2002 Bonds of such series and maturity or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, except that Series 2002 Bonds to be redeemed from sinking fund installments shall be redeemed by lot. In the event of redemption of less than all the outstanding Series 2002 Bonds of the same series stated to mature on different dates, the principal amount of such Series 2002 Bonds to be redeemed shall be

* Preliminary, subject to change.

applied to the maturities as directed by the Company. The portion of Series 2002 Bonds to be redeemed in part shall be in the principal amount of the minimum authorized denomination thereof or some integral multiple thereof and, in selecting Series 2002 Bonds for redemption, the Trustee shall treat each such Series 2002 Bond as representing that number of Series 2002 Bonds which is obtained by dividing the principal amount of such registered Series 2002 Bond by the minimum denomination (referred to below as a *"unit"*) then issuable rounded down to the integral multiple of such minimum denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2002 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the holder of such Series 2002 Bond shall forthwith surrender such Series 2002 Bond to the Trustee for (a) payment to such holder of the redemption price of the unit or units of principal amount called for redemption and (b) delivery to such holder of a new Series 2002 Bond or Bonds of the same series and maturity in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Series 2002 Bond. New Series 2002 Bonds of the same series and maturity representing the unredeemed balance of the principal amount of such Series 2002 Bond shall be issued to the registered holder thereof, without charge therefor. If the holder of any such Series 2002 Bond of a denomination greater than a unit shall fail to present such Series 2002 Bond to the Trustee for payment and exchange as aforesaid, such Series 2002 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Notice of Redemption. The Trustee shall give notice of redemption of Series 2002 Bonds in the name of the Agency, specifying the series, CUSIP number, Bond numbers, the date of original issue, the date of mailing of the notice of redemption, maturities, interest rates and principal amounts of the Series 2002 Bonds or portions thereof to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at the Trustee) and specifying the principal amounts of the Series 2002 Bonds of such series or portions thereof to be payable and, if less than all of the Series 2002 Bonds of a series of any maturity are to be redeemed, the numbers of such Series 2002 Bonds of such series or portions thereof to be so redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2002 Bond of such series or portion thereof to be redeemed the redemption price thereof together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee, in the name and on behalf of the Agency (i) shall mail a copy of such notice by first class mail, postage prepaid, not more than 45 nor less than 30 days prior to the date fixed for redemption of such Series 2002 Bonds, to the registered owners of any such Series 2002 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registration books, but any defect in such notice shall not affect the validity of the proceedings for the redemption of Series 2002 Bonds with respect to which proper mailing was effected; and (ii) shall cause notice of such redemption to be sent to at least two (2) of the national information services that disseminate redemption notices. Any such notice shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. In the event of a postal strike, the Trustee shall give notice by other appropriate means selected by the Trustee in its discretion. If any Series 2002 Bond shall not be presented for payment of the redemption price within 60 days

of the redemption date, the Trustee shall mail a second notice of redemption to such holder by first class mail, postage prepaid.

Any notice of optional redemption may provide that the redemption of Series 2002 Bonds described therein is conditioned upon receipt by the Trustee, on or before the date fixed for redemption, of sufficient funds to pay the redemption price of the Series 2002 Bonds to be redeemed and such notice shall be of no effect if moneys sufficient to pay the redemption price of the Series 2002 Bonds to be redeemed have not been deposited with the Trustee on or before the date fixed for redemption. Any amounts held by the Trustee due to non-presentment of Series 2002 Bonds for payment on any redemption date shall be retained by the Trustee for a period of one year after the redemption date of such Series 2002 Bonds and invested in overnight funds with the interest thereon credited to the Company as provided in the Indenture, and any such amounts still held after the expiration of such period shall then be paid to the Company.

Provisions Regarding Bonds Bearing Interest at a Long-Term Interest Rate; Mandatory Tender and Remarketing

Series 2002 Bonds of a series may be converted to a different Long-Term Interest Rate Period or to another interest rate mode prior to the scheduled end of the Long-Term Interest Rate Period applicable to such series of Series 2002 Bonds on a date upon which such series of Series 2002 Bonds are subject to optional redemption at the direction of the Company as described above under "—Redemption Prior to Maturity—*Optional Redemption at the Direction of the Company*." Upon any such conversion, such series of Series 2002 Bonds will be subject to mandatory tender. The purchase price in the case of such mandatory tender will be 100% of the principal amount of the Series 2002 Bonds of the series subject to mandatory tender, plus any premium that would be payable if such Series 2002 Bonds were optionally redeemed on such day, together with accrued interest to the date of redemption. If the mandatory tender date is not a Business Day, then the date for such payment will be the next Business Day, but no additional interest will accrue as a result.

Notice of any mandatory tender described in the preceding paragraph shall be given by the Trustee to the owners of Series 2002 Bonds affected thereby by first-class mail not less than 15 days prior to such mandatory tender date. When the Book-Entry-Only System is not in effect, an owner of a Series 2002 Bond must deliver to the applicable Tender Agent the Series 2002 Bond subject to mandatory tender (accompanied by an instrument of transfer, in form satisfactory to such Tender Agent, executed in blank by the holder thereof or his duly-authorized attorney, with such signature guaranteed as provided in the Indenture) on the purchase date by 12:00 Noon, New York City time. Delivery of a Beneficial Owner's Series 2002 Bond while Cede & Co. is the sole registered owner of the Series 2002 Bonds shall occur when the ownership rights in such Series 2002 Bond are transferred by a Direct Participant to the applicable Tender Agent on DTC's records (as these terms are defined above). In the event any such Series 2002 Bond is delivered after 12:00 Noon, New York City time, on such date, payment of the purchase price of such Series 2002 Bond need not be made until the Business Day following the date of delivery of such Bond, but such Bond shall nonetheless be deemed to be an Undelivered Bond (defined below) and to have been purchased on the date specified in such notice and no interest shall accrue thereon after such date.

If an owner of a Series 2002 Bond subject to mandatory tender shall fail to deliver such Series 2002 Bond to the applicable Tender Agent at the place and on the applicable date and at the time specified, or shall fail to deliver such Series 2002 Bond properly endorsed, or if the Book-Entry-Only System is in effect, shall fail to cause its beneficial ownership to be transferred to such Tender Agent on the records of DTC, and moneys sufficient to pay the purchase price thereof are on deposit with such Tender Agent for such purpose, such Series 2002 Bond shall constitute an *"Undelivered Bond."* If funds in the amount of the purchase price of the Undelivered Bonds are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery (i) each Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be outstanding under the Indenture; (ii) interest shall no longer accrue thereon; and (iii) funds in the amount of the purchase price of each such Undelivered Bond shall be held by the applicable Tender Agent for the benefit of the holder thereof (*provided* that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the applicable Tender Agent at its Principal Office for delivery of Series 2002 Bonds.

The Company will not appoint a Remarketing Agent at the time of the initial issuance and delivery of the Series 2002 Bonds, but is required to appoint a Remarketing Agent for a series of Series 2002 Bonds at least 30 days prior to the first remarketing of Series 2002 Bonds of that series, if any. The purchase price of a series of Series 2002 Bonds will be paid (i) from the proceeds of the remarketing of such series of Series 2002 Bonds by the applicable Remarketing Agent and (ii) if such remarketing proceeds are insufficient, from moneys provided by the Company under the IDA Lease Agreement or the Company Guaranty or by AMR under the AMR Guaranty.

SECURITY FOR THE BONDS

The Indenture

In the Indenture, the Agency has assigned to the Trustee all right, title and interest of the Agency in and to the IDA Lease Agreement, including, but not limited to, all lease rentals, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which Agency's Reserved Rights may be enforced by the Agency and the Trustee jointly or severally, subject to the limitations contained in the IDA Lease Agreement and the Indenture. In addition, the Series 2002 Bonds, along with all Additional Bonds, are secured by all moneys on deposit in accounts held under the Indenture except (i) any Rebate Fund (which is held solely to pay any amounts required to be paid to the United States Treasury), (ii) any Bond Purchase Fund created under the Indenture (which is held solely for the benefit of the owners of Bonds subject to tender), (iii) any moneys drawn on any credit facility securing a particular series of Bonds (which is held solely for the benefit of that series of Bonds and the issuer of such credit facility), and (iv) any debt service reserve fund created by, or any other security of any nature pledged under, a Series Supplemental Indenture to secure a particular series of Bonds.

Under the Indenture, the Trustee shall only have the right to enforce the obligation of the Company to pay lease payments sufficient to enable the Agency to pay the principal, redemption price, if applicable, and purchase price of, and interest on, the Bonds and to accelerate and collect the rentals payable by the Company under the IDA Lease Agreement. Under the Indenture each holder of the Bonds agrees that the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement. Pursuant to the Indenture, each holder of the Bonds further agrees that neither the Agency, the Bondholder nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall (except as described above) have any other interest in the Leased Facilities or the Port Authority Lease (including, but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Security Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State of New York, or (iv) the Real Property Law of the State of New York or otherwise. Further, under the Indenture, each Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Security Documents or the Leased Facilities (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or the provisions of the Port Authority Lease governing the exercise of rights under the Leasehold Mortgage).

Pursuant to the Indenture upon an Event of Default thereunder, the Trustee will have a first right of payment prior to payment of rent under the IDA Lease Agreement in respect of the principal of or interest on any Bonds upon the revenues for the payment of its compensation and expenses and for the payment of advances reasonably and necessarily made or incurred by it under the Indenture.

The Indenture also permits the issuance of Additional Bonds ranking on a parity with the Series 2002 Bonds, *provided* that the maximum principal amount of Bonds, including the Series 2002 Bonds, issued under the Indenture shall not exceed $2,300,000,000. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds" for a description of the conditions upon which Additional Bonds may be issued. The Company intends to finance the completion of the Project through the issuance from time to time of Additional Bonds by the Agency. See "THE PROJECT: PLAN OF FINANCE."

THE SERIES 2002 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE AS TO THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, AND PURCHASE

PRICE THEREOF, AND INTEREST THEREON, SOLELY FROM THE TRUST ESTATE. NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR PURCHASE PRICE OF, OR THE INTEREST ON, THE SERIES 2002 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO SUCH PAYMENT OF THE SERIES 2002 BONDS. THE SERIES 2002 BONDS WILL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE SERIES 2002 BONDS WILL NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE CREDIT OR TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NO RECOURSE WILL BE HAD FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, IF APPLICABLE, OR, PURCHASE PRICE OF, OR INTEREST ON, ANY SERIES 2002 BOND AGAINST ANY MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE AGENCY. THE AGENCY HAS NO TAXING POWER.

The IDA Lease Agreement

The primary source for the payment of principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds will be the payment by the Company of rent under the IDA Lease Agreement. The Company will be obligated to pay directly to the Trustee, as assignee of the Agency under the Indenture, rent in an amount equal to the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds, when due. The obligations of the Company under the IDA Lease Agreement will be absolute and unconditional obligations of the Company.

The Guaranties

The owners of the Series 2002 Bonds and all Additional Bonds will be entitled to the benefits of the Company Guaranty and the AMR Guaranty pursuant to which the Company and AMR, respectively, will unconditionally guarantee to the Trustee for the benefit of the owners of the Series 2002 Bonds and all Additional Bonds payment of the principal, redemption price, if applicable, and purchase price of, and interest on, the Series 2002 Bonds and all Additional Bonds when and as due and payable. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES."

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN

PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt." to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Leasehold Mortgage and Reletting

Leasehold Mortgage. As security for payment of its obligations under the Company Guaranty and AMR's obligations under the AMR Guaranty, the Company has agreed that within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions, the Company will execute and deliver to the Leasehold Mortgagee for recording a leasehold mortgage of the Company's interest in the Premises under the Port Authority Lease. The Leasehold Mortgage will be acknowledged and consented to by the Agency. See *"—Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date."* A form of the Leasehold Mortgage has been consented to by the Port Authority under the Port Authority Consent and is described in APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." The sole rights of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default are the Reletting Rights, which would permit the Leasehold Mortgagee to exclude the Company from possession of the Premises and to select a Qualifying Replacement Tenant during the Foreclosure Period. The obligations of the Leasehold Mortgagee with respect to any exercise of the Reletting Rights are described below and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities or to satisfy the other Reletting Rights Effective Date Conditions would result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the only source of payment of the Bonds (including the Series 2002 Bonds) would be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty. The delayed execution, delivery and recording of the Leasehold Mortgage also raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."

If the Basic Lease expires the Leasehold Mortgage will terminate. The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in such New City/American Lease, *provided* that certain conditions are satisfied. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time. There can be no assurance that any such new leasehold mortgage will have terms similar to the Leasehold

Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed. Also, no assurance can be given that the City will not require additional provisions in the New City/American Lease that would add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein. See "—New Leasehold Mortgage Upon Expiration of the Basic Lease."

The following discussion describes (i) the requirements that must be satisfied by the Company before the Leasehold Mortgage can be executed, delivered or recorded and (ii) the conditions set forth in the Port Authority Lease that must be satisfied before the Leasehold Mortgage can be foreclosed once it becomes effective.

Conditions to Execution, Delivery and Recording of the Leasehold Mortgage. The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after each of the Reletting Rights Effective Date Conditions described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"* is fulfilled. The Reletting Rights Effective Date Conditions include the requirements that (i) the Company construct a terminal containing not less than 55 gates, of which at least 35 are to accommodate widebody aircraft and at least two are to accommodate narrowbody aircraft, or such other number of gates as shall have been approved in writing by the Director of the Port Authority's Aviation Department, and (ii) the Company incur not less than $850,000,000 of qualified costs in connection with construction of the Leased Facilities (referred to collectively as the *"Required Conditions"*). The other Reletting Rights Effective Date Conditions are requirements that must be complied with to verify that the Required Conditions have been satisfied. The Port Authority Lease contains specific procedures (including procedures relating to the Port Authority's right to audit costs of work on the Project) as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions"* that must be strictly complied with to satisfy the Reletting Rights Effective Date Conditions.

The Company currently estimates that the substantial completion of the Project will occur in August, 2006 and that the remaining Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007 (which date allows one year for the Port Authority to conduct an audit, if it so chooses, to determine whether the Company has satisfied the Required Condition that the Company incur not less than $850,000,000 in qualified costs in connection with construction of the Leased Facilities).

There can be no assurance that the Reletting Rights Effective Date Conditions will ever be satisfied. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "— Certain Considerations under the United States Bankruptcy Code" for a discussion of certain risks related to the delayed execution and recording of the Leasehold Mortgage.

Under the Port Authority Lease, the Company is incentivized to complete the Project in a timely manner as a result of certain provisions that provide for abatements of rent as certain criteria are met. Building rent is abated until December 22, 2010 as follows: (i) one-third of

such building rent is abated from (x) the later of December 22, 2002 and the first day of the month after the month in which the Company has incurred at least $283,333,050 of qualifying costs for Redevelopment Work to (y) the later of December 21, 2004 and the last day of the month during which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work and (ii) two-thirds of such building rent is abated from (x) the later of December 22, 2004 and the first day of the month after the month in which the Company has incurred at least $566,666,100 of qualifying costs for Redevelopment Work to (y) the earlier of the first day of the month after which the Required Conditions have been satisfied and December 21, 2010. The abatements under item (i) above would amount to approximately $7 million per year and under item (ii) above would amount to approximately $14 million per year. All building rent is abated from the first day of the month after the month in which the Company satisfies the Required Conditions until the earlier of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date. Such rent abatements would total approximately $22 million per year. In addition, the Port Authority Lease provides that if the Required Conditions have not occurred prior to December 27, 2015, the Port Authority Lease will automatically terminate notwithstanding any prior extension of the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Rent."

Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date. In the IDA Lease Agreement, the Company will agree that, following the Redevelopment Work Completion Date, it will comply with the procedural provisions of the Port Authority Lease governing the execution, delivery and recording of the Leasehold Mortgage. Such provisions, which are described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions,*" are referred to as the "Section 92(d) Provisions." Any failure of the Company to comply with the Section 92(d) Provisions or any Wrongful Recording of the Leasehold Mortgage would constitute a breach of the IDA Lease Agreement unless such breach is cured as provided in the IDA Lease Agreement and, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived, in writing, by the Port Authority. Even if such a breach could be so cured, the Port Authority will have sole discretion as to whether it will waive any Wrongful Recording of the Leasehold Mortgage and accept such a cure.

In the IDA Lease Agreement, the Company and the Agency will agree, in accordance with the Section 92(d) Provisions, to execute and deliver the Leasehold Mortgage to the Trustee within 21 Business Days after the satisfaction of the Reletting Rights Effective Date Conditions. Simultaneously with such delivery, the Company will be required to deliver to the Trustee an opinion of counsel reasonably satisfactory to the Trustee as to the validity and enforceability of the Leasehold Mortgage. The IDA Lease Agreement will provide that the Company shall direct the Trustee to record the Leasehold Mortgage in the appropriate recording office of the City. **Delayed execution, delivery and recording of the Leasehold Mortgage raises certain bankruptcy and lien priority issues. See "RISK FACTORS—Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities" and "—Certain Considerations under the United States Bankruptcy Code."**

If the Company were to wrongfully execute, deliver or record the Leasehold Mortgage prior to the fulfillment of all Reletting Rights Effective Date Conditions, such action would constitute a material breach of the Port Authority Lease and an event of default thereunder (which the Leasehold Mortgagee would have no right to cure) permitting the Port Authority to terminate the Port Authority Lease, which termination (i) could result in an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the Series 2002 Bonds in whole. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights"

Foreclosure of Leasehold Mortgage. Upon the occurrence and continuation of a Leasehold Mortgage Default as described below, the Leasehold Mortgagee, acting on behalf of the Bondholders, may foreclose upon the Leasehold Mortgage by seeking to (a) exclude the Company from possession of the Premises, if necessary, and (b) have the Company's leasehold interest in the Premises assigned to a successor tenant (a *"Qualifying Replacement Tenant"*) that satisfies the conditions set forth below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards.*" The Qualifying Replacement Tenant would also be required to meet the other conditions described below under "*—Obligations of Qualifying Replacement Tenant; Qualification Standards,*" including the payment of a "deferred reletting fee" to the Port Authority.

The "events of default" under the Leasehold Mortgage (each a *"Leasehold Mortgage Default"*) include the occurrence, after the satisfaction of the Reletting Rights Effective Date Conditions, of:

(a) the Leasehold Mortgagee's receipt of a notice from the Port Authority to the effect that the Company is in default under the Port Authority Lease and that the Port Authority has elected to terminate the Port Authority Lease pursuant to its terms (a *"Lease Default"*);

(b) (i) a failure to make payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds resulting in the occurrence and continuance of an Event of Default under and as defined in the Indenture, or (ii) a failure to make payment under the Guaranties with respect to the payment of any and all amounts required when due for the payment of the principal, purchase price, premium or interest on the Bonds, which failure has resulted in the occurrence and continuance of an Event of Default under and as defined in the Indenture; *provided, however,* if any of the foregoing arises out of an act or omission of the Trustee, despite the payment of any such amounts to the Trustee, then such Event of Default would not be a Leasehold Mortgage Default as described in this paragraph (b) (a *"Bonds Default"*); or

(c) the later of (i) the date of rejection of the Port Authority Lease pursuant to the order of a bankruptcy court, and (ii) the date of such an order of a bankruptcy court if

it triggers a period during which the Trustee must decide whether to exercise its reletting rights (a *"Bankruptcy Rejection Date"*).

Conditions Precedent to Foreclosure. The Port Authority may not terminate the Port Authority Lease so long as the Company's interest in the Premises is encumbered by the Leasehold Mortgage without giving notice and, in most cases, without giving the Leasehold Mortgagee the opportunity to cure as described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." To preserve the effectiveness of the Leasehold Mortgage following any Leasehold Mortgage Default, the Leasehold Mortgagee must satisfy certain requirements. As discussed below, such requirements include obligations to commence foreclosure actions in specified periods, to identify a proposed Qualifying Replacement Tenant in specified periods, to pay substantial foreclosure extension fees (if required and if certain conditions are satisfied) and to pay deferred reletting fees. **If any of these requirements are not satisfied or complied with by the Leasehold Mortgagee in a timely manner, the Port Authority Lease and the Leasehold Mortgage will terminate and the Leasehold Mortgagee will be forever precluded from foreclosing upon the Leasehold Mortgage. Upon such termination of the Port Authority Lease (which would result in a termination of the Company Sublease) all of the Bonds are required to be redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest, and without premium.**

1. *Notice.* Within 30 days (which period can be extended to a total of 90 days) after a Leasehold Mortgage Default, the Leasehold Mortgagee must give notice to the Port Authority of its intent to exercise its Reletting Rights (the *"Foreclosure Notice"*). The date of actual service on the Port Authority of the Foreclosure Notice starts the Foreclosure Period as defined below.

2. *Foreclosure Proceedings and Removal of the Company.* The Leasehold Mortgagee must identify to the Port Authority a Qualifying Replacement Tenant to assume from the Company its leasehold interest in the Premises within 270 days following the commencement of the Foreclosure Period (the *"Initial Foreclosure Period"*). The Qualifying Replacement Tenant must satisfy the requirements described below under *"—Obligations of Qualifying Replacement Tenant; Qualification Standards."* If the Company does not agree voluntarily to assign its leasehold interest in the Premises to a Qualifying Replacement Tenant or if the Company fails to vacate the Premises, the Leasehold Mortgagee must promptly, diligently and in good faith commence, continue and seek to complete foreclosure proceedings within the first 90 days of the Initial Foreclosure Period and diligently pursue such proceedings to secure (a) the Company's removal from the Premises, if necessary, and (b) the assignment of the Company's leasehold interest in the Premises to a Qualifying Replacement Tenant. The Initial Foreclosure Period may be extended for up to an additional 450 days (*i.e.*, to a total of 720 days) if the Leasehold Mortgagee has secured the commitment of a Qualifying Replacement Tenant prior to the expiration of the Initial Foreclosure Period and if pending legal foreclosure proceedings are the sole obstacle then preventing a Qualifying Replacement Tenant from taking possession of the Premises (the Initial Foreclosure Period, with any extensions, is hereafter referred to as the *"Foreclosure Period"*). For a more complete description, see APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Foreclosure Obligations" and "—Extensions of Foreclosure Period.*"

If the Company's leasehold interest in the Premises has not been assigned to, and assumed by, a Qualifying Replacement Tenant by the end of the Foreclosure Period, the Leasehold Mortgage will be deemed expired and terminated and of no further force or effect. **No assurance can be given that the Leasehold Mortgagee will have sufficient time to complete any necessary foreclosure proceedings during the Foreclosure Period. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Foreclosure Period Payments.* Except as described below under "*—Certain Bankruptcy Matters,*" to preserve the effectiveness of the Leasehold Mortgage upon the commencement of and during the continuation of the Foreclosure Period, the Leasehold Mortgagee must make certain ongoing payments to the Port Authority pursuant to the Port Authority Lease (referred to collectively as the *"Company's Aggregate Port Authority Lease Obligations"*), as follows:

(a) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing to the Port Authority under the Port Authority Lease (in the case of the initial payment, to the extent such amounts have accrued for any and all periods up to the commencement of the Foreclosure Period (which is the date the Foreclosure Notice is actually served on the Port Authority)), including, without limitation, various ground and building rentals and fees, costs and charges for various services and uses.

(b) To the extent such amounts have not previously been paid to the Port Authority by the Company or the Leasehold Mortgagee, all amounts due and owing by the Company to the Port Authority under the General Airport Agreement and any successor or replacement agreement or arrangement covering the payment of flight fees and fueling fees (in the case of the initial payment, to the extent such amounts have accrued for a period of 60 days up to the commencement of the Foreclosure Period).

In addition to its initial and monthly obligation to pay all current Company's Aggregate Port Authority Lease Obligations, the Leasehold Mortgagee must pay certain additional fees to the Port Authority in order to preserve the effectiveness of the Leasehold Mortgage beyond 180 days from the commencement of the Foreclosure Period (*"Leasehold Mortgage Extension Fees"*). Such fees are not payable during any period when the initial commencement of the Foreclosure Period was due to a Bonds Default and no other Leasehold Mortgage Default has occurred. The following table summarizes the scope of the payments that the Leasehold Mortgagee could be required to make to the Port Authority during the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage:

PAYMENT PERIOD	PAYMENT OBLIGATION
Commencement of Foreclosure Period (*i.e.* Delivery of Foreclosure Notice)	Accrued but unpaid Company's Aggregate Port Authority Lease Obligations.
0-90 days of Foreclosure Period	Current Company's Aggregate Port Authority Lease Obligations.
91-180 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued)	Current Company's Aggregate Port Authority Lease Obligations.
181-270 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
271-360 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $8,090,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
361-540 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $32,361,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.
541-720 days of Foreclosure Period (requires foreclosure proceedings to be diligently pursued and inability to complete foreclosure proceedings, including eviction of the Company, within period through no fault of the Leasehold Mortgagee)	Current Company's Aggregate Port Authority Lease Obligations and, in addition, up to $48,541,000 in Leasehold Mortgage Extension Fees for this period, prorated and payable in advance in monthly installments.

In 2001 the average monthly Company's Aggregate Port Authority Lease Obligations were approximately $5.4 million. The Indenture establishes a Foreclosure Payment Account within the Leasehold Mortgage Fund for use by the Leasehold Mortgagee to preserve the rights

of the Leasehold Mortgagee under the Port Authority Lease, including making payments to prevent a default under the Port Authority Lease with respect to payments required to preserve the Leasehold Mortgage or, if applicable, the New City/American Lease. Under the IDA Lease Agreement, at the time the Company delivers the executed Leasehold Mortgage to the Trustee following satisfaction of the Reletting Rights Effective Date Conditions, the Company is obligated to deposit into the Foreclosure Payment Account of the Mortgage Reserve Fund either cash or a direct pay letter of credit or surety bond with a value equal to $18.6 million. Such amount is estimated to be equal to three months of the Company's Aggregate Port Authority Lease Obligations in 2006, based on various assumptions. Amounts required to be paid by the Company under the Port Authority Lease may be highly variable and are expected to increase over time, and after the earlier to occur of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date, the rent payable by the Company under the Port Authority Lease will increase significantly. **Accordingly, no assurance can be given that the Foreclosure Payment Account will provide sufficient funds in any year to cover all or any portion of the payments required to be made at the commencement of the Foreclosure Period or during any other part of the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage.** See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage." If the Trustee determines that it is in the best interest of the Bondholders or is directed by the holders of a majority in aggregate principal amount of outstanding Bonds, the Foreclosure Payment Account of the Mortgage Reserve Fund may instead be used to pay debt service on the Bonds following a Leasehold Mortgage Default, in which case the Leasehold Mortgage would terminate. **The Leasehold Mortgage will terminate if the Leasehold Mortgagee fails to make any of the above payments in a timely manner.**

4. *Right of Port Authority to Terminate the Leasehold Mortgage Prior to Foreclosure.* The Leasehold Mortgagee shall not be entitled to foreclose the Leasehold Mortgage or to have the Company's interest assigned in lieu of such foreclosure unless at least 30 days prior to commencing such foreclosure or requesting such assignment in lieu of foreclosure, the Leasehold Mortgagee shall have given the Port Authority the Foreclosure Notice, which notice shall state the principal amount of the Bonds then Outstanding, the amount of accrued and unpaid interest thereon, and the per diem interest which will accrue on the principal amount of the Bonds then Outstanding from and after the giving of such notice. The Port Authority has the right, but not the obligation, following notice by the Leasehold Mortgagee as described in the preceding sentence, to terminate the Leasehold Mortgage by paying to the Trustee an amount equal to the principal amount of the Bonds outstanding, including per diem interest to the date of purchase. Exercise of such right by the Port Authority would cause a mandatory redemption of the Series 2002 Bonds at a redemption price of 100% of the unpaid principal thereof, together with accrued interest to the date of redemption and without premium. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Mandatory Redemption Without Premium Upon Exercise of Purchase Rights by the Port Authority*" and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." If the Port Authority shall fail to notify the Leasehold Mortgagee within the 30-day period specified in the notice of its intention to exercise such right, the Leasehold Mortgagee shall be entitled to proceed to foreclose the Leasehold Mortgage or to accept an assignment in lieu of foreclosure in accordance with the provisions of

the Port Authority Lease. Bondholders should not assume that the Port Authority will exercise this option.

Certain Bankruptcy Matters. If any bankruptcy proceedings involving the Company are instituted while the Leasehold Mortgage remains in effect, the obligations of the Leasehold Mortgagee to take the actions (including making certain required payments) described above under "*—Conditions Precedent to Foreclosure*" in order to preserve the Leasehold Mortgagee's rights to foreclose upon the Company's interest in the Premises will be suspended until the earlier to occur of (a) the "rejection" of the Port Authority Lease by the Company as debtor-in-possession or by its bankruptcy trustee or (b) the conclusion of such bankruptcy proceedings. During the pendency of any bankruptcy proceedings, the Leasehold Mortgagee would be precluded from foreclosing upon the Company's leasehold interest in the Premises absent relief from the bankruptcy court. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."

1. *Rejection of Port Authority Lease.* In the event that the Port Authority Lease is "rejected" by the Company as debtor-in-possession or by its bankruptcy trustee, the Port Authority has agreed that the Leasehold Mortgagee will become the "deemed lessee" of the Premises following the later of the date of the bankruptcy court's approval of the rejection of the Port Authority Lease and the effective date of the rejection of the Port Authority Lease (the "*rejection date*"). To preserve such right, however, the Leasehold Mortgagee would be required to (a) provide the Foreclosure Notice to the Port Authority as herein described and pay to the Port Authority all current and previously accrued Company's Aggregate Port Authority Lease Obligations, in each case as they become due under the Port Authority Lease from and after the rejection date, and (b) institute appropriate legal proceedings in the bankruptcy court, if necessary, to remove the Company from the Premises as herein described.

2. *Assignment of Port Authority Lease.* If the Port Authority Lease is not "rejected" and is assigned to another entity or person by the Company as debtor-in-possession or by its bankruptcy trustee, and assuming the Leasehold Mortgage remains unaltered and in full force and effect in connection therewith, upon any then-current or subsequent Lease Default (involving such assignee of the Port Authority Lease) or Bonds Default, the Leasehold Mortgagee would again be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the assignee's interest in the Premises.

3. *Conclusion of Proceedings.* Following the Company's emergence from any bankruptcy proceedings, and if the Port Authority Lease was not "rejected" or assigned to another person or entity during the bankruptcy proceedings, the Leasehold Mortgagee would be required to take the actions described above under "*—Conditions Precedent to Foreclosure*" to preserve and effect its right to foreclose upon the Company's interest in the Premises on account of any then-current or subsequent Lease Default or Bonds Default involving the Company.

Obligations of Qualifying Replacement Tenant; Qualification Standards. The following requirements and obligations are applicable to any Qualifying Replacement Tenant selected by the Leasehold Mortgagee and approved by the Port Authority to succeed to the Company's

interest in the Premises upon the Leasehold Mortgagee's foreclosure under the Leasehold Mortgage:

1. *Assignment and Assumption Agreement.* The Qualifying Replacement Tenant must execute an assignment and assumption agreement with the Port Authority agreeing to be bound by the terms of the Port Authority Lease as if it were the original tenant thereunder, except that the Qualifying Replacement Tenant may (with the Leasehold Mortgagee's approval) agree to lease the Premises for a term that is less than the remaining term of the Port Authority Lease.

2. *Payment of Accrued Company Obligations and Deferred Reletting Fee.* Upon or prior to accepting the assignment and assumption of the Company's interest in the Premises, the Qualifying Replacement Tenant (or the Leasehold Mortgagee) must also pay to the Port Authority:

(a) all accrued Company's Aggregate Port Authority Lease Obligations previously owed and unpaid by the Leasehold Mortgagee pursuant to the Leasehold Mortgage, together with accrued interest thereon at the Port Authority's then prevailing late charges rate; and

(b) a "Deferred Reletting Fee" equal to the product of (1) the Mortgage Amount multiplied by (2) 2% if the default under the Leasehold Mortgage that gave rise to the assignment is a Bonds Default, 3% if the default that gave rise to the assignment is a Lease Default or a Bankruptcy Rejection Date or 4% if there were both (x) a Bonds Default and (y) a Lease Default or a Bankruptcy Rejection Date, further multiplied by (3) a fraction, the numerator of which is the greater of five and the number of full years remaining in the lease term of the Port Authority Lease on the date that the Foreclosure Period commenced, and the denominator of which is the total number of years between December 22, 2000 and the earlier of the day preceding the 30th anniversary of the Redevelopment Work Completion Date or December 21, 2036, which deferred reletting fee may be paid upon the commencement of the reletting or in installments. **The amount of the Deferred Reletting Fee will be significant and may, since it must be paid by the Qualifying Replacement Tenant (or the Bondholders), be a significant impediment to the attraction of a Qualifying Replacement Tenant. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage."**

3. *Qualification Standards.* The acceptance of any proposed replacement tenant is subject to approval of the Port Authority and such proposed replacement tenant must be a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under the Port Authority Lease, and who shall each meet all of the requirements described below. The Port Authority will reasonably consider all relevant factors, including whether such proposed replacement tenant, together with each

of its members if it is a consortium, satisfies the following conditions: (a) it has financial resources that are sufficient, in the opinion of the Port Authority, to fulfill all obligations as the lessee of the Premises for the term of its tenancy, (b) it and its 20% owners have a good reputation for integrity and financial responsibility and have not been convicted of a crime and are not currently involved in material civil antitrust or fraud litigation (other than as a plaintiff), (c) it and all of its officers, directors, partners, or 20% owners have had no prior "unfavorable experience" (as defined in the Port Authority Lease) with the Port Authority, (d) it and all of its 20% owners have no "conflict of interest" with the Port Authority or any of its commissioners under applicable policies and laws, and (e) it and all of its 20% owners have not been the subject of bankruptcy proceedings during the prior five years. A "20% owner" refers to any person, firm or corporation having an outright or beneficial interest in 20% or more of the monies invested in the proposed Qualifying Replacement Tenant, and if said Qualifying Replacement Tenant is a corporation or partnership, by loans thereto, stock ownership therein or any other form of financial interest.

The Agreement Towards Entering Into a Lease provides that under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. Upon any reletting of the Premises to a Qualifying Replacement Tenant without the consent of the City, the City may, at its option, terminate the Agreement Towards Entering Into a Lease.

There can be no assurance that the Leasehold Mortgagee will be able to locate a Qualifying Replacement Tenant capable of satisfying all of the requirements and qualification standards imposed by the Port Authority Lease. See "RISK FACTORS—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" herein.

No Subsequent Leasehold Mortgages. After a successor lessee succeeds to the Company's interests in the Premises as a result of the Leasehold Mortgagee's exercise of its Reletting Rights under the Leasehold Mortgage, the Leasehold Mortgage terminates and neither the Leasehold Mortgagee nor Bondholders would have any further leasehold mortgage rights with respect to the Premises.

Termination of the Leasehold Mortgage. The Leasehold Mortgage, and the Reletting Rights thereunder, are subject to termination upon the occurrence of any one of several events, including, without limitation, termination or expiration of the Basic Lease or the Port Authority Lease, termination of the Guaranties (when no Bonds are deemed to be outstanding under the Indenture) or expiration of the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights." However, the City Attornment Agreement will provide that, subject to certain conditions

described below, the Leasehold Mortgage, if it has then become effective, will continue in effect in the event the Basic Lease is terminated prior to its scheduled expiration date.

Equipment Security Agreement

The Company and the Agency will enter into the Equipment Security Agreement with the Trustee for the benefit of the Bondholders providing for the granting of a security interest in certain items of Facility Equipment which are owned by the Agency and leased to the Company under the IDA Lease Agreement (the "*Collateral*").

Pursuant to the terms of the Equipment Security Agreement, the Trustee, as secured party, may, upon the occurrence of an Event of Default under the Indenture, do one or more of the following:

(i) upon notice to the Company and the Agency, make such payments and do such acts in accordance with its obligations under the Indenture, to maintain, preserve and protect the Collateral and the Trustee's security interest in the Collateral;

(ii) foreclose the Equipment Security Agreement;

(iii) require the Company to assemble all or part of the Collateral as directed by the Trustee and make it available to the Trustee or any other party designated by the Trustee;

(iv) take possession of the Collateral;

(v) sell the Collateral or any part thereof at public or private sale, at such price or prices and upon such other terms as the Trustee may deem commercially reasonable and, at any sale of the Collateral, if permitted by law, the Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof; and

(vi) exercise with respect to the Collateral, in addition to other rights and remedies provided for in the Equipment Security Agreement or otherwise available to the Trustee, all the rights and remedies of a secured party after default under the Uniform Commercial Code.

Proceeds from the exercise of remedies under the Equipment Security Agreement will be applied in accordance with the Indenture. The value of the Collateral is substantially related to its use in connection with the Company's operation of the Premises. The realizable value of the Collateral outside of its use in the Premises will likely be substantially less than its cost.

City Attornment Agreement

In the City Attornment Agreement, the City and the Company will agree that if the Basic Lease is terminated prior to its stated expiration date and if (i) the Company is not at such time a

Prohibited Person, (ii) no Triggering Event has occurred, (iii) the Company is not in default under the Port Authority Lease and no event then exists which would permit the Port Authority to terminate the Port Authority Lease or to exercise any dispossess remedy, (iv) the Company is still the tenant under the Port Authority Lease and (v) no event has occurred which would permit the commencement of the exercise of the Reletting Rights, then (A) the Port Authority Lease will thereafter continue in effect as a direct lease between the Company and the City upon the terms and conditions contained therein and the Port Authority Lease will not be deemed terminated for any purpose (other than as regards the Port Authority), (B) the City will recognize the rights of the Company as its direct tenant under the Port Authority Lease (including its rights to grant a leasehold mortgage therein) and (C) the Company will recognize the City as its direct landlord thereunder. In such event, the Leasehold Mortgage, if it has then become effective would continue in effect. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement."

The Agreement Towards Entering Into a Lease

The Basic Lease is currently scheduled to expire on December 31, 2015. If the Basic Lease is extended, the Port Authority Lease will be automatically extended so that it will expire on the day prior to the new expiration date of the Basic Lease, so long as the Company is not in default under the Port Authority Lease at that time and the Company has satisfied certain additional conditions set forth in the Port Authority Lease and described in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." An official statement dated June 26, 2002 of the Port Authority offering certain of its bonds for sale contained the following statement relating to the Basic Lease: "In 1994, the former administration of the City of New York suspended negotiations to extend the term of such lease. In early 2002, the Port Authority and the City of New York began to discuss various contractual and other matters, including the extension of the term of such lease agreement, and certain disputes pertaining to payments-in-lieu-of-taxes and other real estate tax matters pertaining to the World Trade Center... . Although a definitive schedule for the resolution of these matters has not been established, the current administration of the City of New York has publicly expressed a desire to amicably complete these discussions expeditiously." None of the Company, AMR or the Agency has any independent knowledge as to the factual basis of this statement or whether it accurately reflects the state of affairs between the City and the Port Authority as of the date of this Official Statement.

Pursuant to the Agreement Towards Entering Into a Lease, the City will agree that, if the Basic Lease is not extended to or beyond the latest final maturity date of the Bonds, upon expiration of the Basic Lease, the City will enter into the New City/American Lease with the Company for the lease of the Premises, provided certain conditions are met as described below. The Agreement Towards Entering Into a Lease constitutes an agreement to enter into a lease at a future point in time, but is not itself a lease of the Premises. The Agreement Towards Entering Into a Lease provides that the New City/American Lease shall contain certain terms and conditions as set forth in the Agreement Towards Entering Into a Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of

the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease*" for a summary of such terms and conditions. Pursuant to the Agreement Towards Entering Into a Lease, the City or its designee has the option of including in the New City/American Lease more particular and additional terms and conditions that the City deems appropriate in good faith. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms."

The Agreement Towards Entering Into a Lease will provide that the term of the New City/American Lease commences following the expiration, but not earlier termination, of the Company's interest under the Port Authority Lease, and shall expire on the earlier to occur of (i) the day preceding the 30th anniversary of the Redevelopment Work Completion Date or (ii) December 21, 2036. See "RISK FACTORS—Leasehold Term" herein.

Provided that the Basic Lease has not been extended to or beyond the latest final maturity date of the Bonds, the Agreement Towards Entering Into a Lease will require the Company and the City to execute the New City/American Lease on or before December 31, 2014. If the Basic Lease has been extended or renewed, or a new lease between the City and the Port Authority covering the Airport has been executed, the Agreement Towards Entering Into a Lease will provide that the Company and the City shall execute the New City/American Lease by the date that is 12 months prior to the stated expiration date of the extended or renewed Basic Lease or such new lease. See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" herein.

There are certain conditions precedent to the City's obligations under the Agreement Towards Entering Into a Lease to enter into the New City/American Lease. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent*" for a summary of such conditions precedent. As of the date of this Official Statement, the Company has no reason to believe that it will not be in compliance with any condition precedent to the City's obligations under the Agreement Towards Entering Into a Lease (other than the extension of the Basic Lease). See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" herein.

The City may terminate the Agreement Towards Entering Into a Lease if certain events occur. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Remedies; Termination by the City*" for a summary of such events. As of the date of this Official Statement, the Company has no reason to believe that any default under the Agreement Towards Entering Into a Lease has occurred, or that any condition exists, or with the giving of notice and/or passage of time would exist, to give rise to the termination of the Agreement Towards Entering Into a Lease.

The Agreement Towards Entering Into a Lease also will provide that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the

obligations of the Company under the Agreement Towards Entering Into a Lease. If the Agreement Towards Entering Into a Lease is terminated by reason of an event of default thereunder or otherwise (except by reason of a failure of the City and/or the Company to negotiate, execute or deliver the New City/American Lease), the City will give prompt notice thereof to the Trustee, as Leasehold Mortgagee. If such default is capable of cure by the Trustee, as Leasehold Mortgagee without possession of the Premises, such termination will not be effective until 30 days after delivery of such notice to the Trustee, and, if the Trustee, as Leasehold Mortgagee, notifies the City in writing within such 30 day period that it intends to cure such default or cause such default to be cured, then the Agreement Towards Entering Into a Lease will not terminate and the Trustee will have 60 days to cure or cause the cure of such default from the date it delivers the latter notice to the City. If such default is not cured within such 60 day period afforded to the Trustee, then the City may terminate the Agreement Towards Entering Into a Lease upon written notice to the Trustee and upon such delivery of such notice the Agreement Towards Entering Into a Lease will terminate.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage shall have become effective, the Leasehold Mortgagee will not have any rights to cure any defaults.**

New Leasehold Mortgage Upon Expiration of the Basic Lease

The City will agree in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease, *provided* that certain conditions are satisfied. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to negotiate a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant a leasehold mortgage substantially similar to one or more comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee. **See "RISK FACTORS—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms," "—Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage" and "—Certain Considerations under the United States Bankruptcy Code."**

Company Sublease; The Lease Term Differential

Term of Company Sublease. Under the Act, the Agency must have a leasehold interest in the facilities financed with the proceeds of its bonds. To accomplish this the Company and the Agency will enter into the Company Sublease pursuant to which the Company will sub-sublease to the Agency the Leased Facilities. Upon a termination of the Company Sublease, the Series 2002 Bonds and all Additional Bonds outstanding under the Indenture will be subject to mandatory redemption at a redemption price equal to 100% of the unpaid principal amount of the Bonds outstanding, together with accrued interest to the date of redemption, and without premium. The term of the Company Sublease shall terminate on the earliest of:

(i) the expiration or earlier termination of the IDA Lease Agreement;

(ii) the earlier of (x) two days preceding the thirtieth (30th) anniversary of the Redevelopment Work Completion Date and (y) December 20, 2036;

(iii) the date on which no Bonds are "Outstanding" under the Indenture;

(iv) the termination of the Basic Lease *provided* that the Company Sublease shall not terminate on the termination of the Basic Lease if the New City/American Lease is effective upon the termination of the Basic Lease or if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City;

(v) the termination of the Port Authority Lease prior to its expiration, *provided* that the Company Sublease shall not terminate on the termination of the Port Authority Lease if, pursuant to the City Attornment Agreement, the Company is leasing the Premises directly from the City; or

(vi) except under certain limited circumstances, the termination of the New City/American Lease (or such other leases as set forth in the Company Sublease pursuant to which the Company may be leasing the Premises at that time) or one day prior to its scheduled expiration subsequent to the expiration of the Port Authority Lease without extension or renewal.

The Company Sublease specifically provides that any assignment of the Company's rights thereunder or substitution of the Company under the Company Sublease in accordance with the provisions of the Security Documents shall not result in the termination of the Company Sublease.

Lease Term Differential. The Port Authority Lease provides that its term shall expire on December 27, 2015, which is four days earlier than the expiration date of the Basic Lease, and each of the Company Sublease and the IDA Lease Agreement expires one day earlier than the lease from which it derives. Consistent with the foregoing, the term of any New City/American Lease shall not commence (if ever) until after the expiration, but not earlier termination, of the Port Authority Lease. Therefore, there could be a gap in the Company's legal possession of the Premises. In addition, if the Port Authority Lease is extended, there will continue to be a gap

between the expiration of the Port Authority Lease and the commencement of the New City American Lease. With respect to this gap between the Company's right of possession under the Port Authority Lease and the Company's right of possession under the New City/American Lease, the Port Authority has agreed pursuant to the Port Authority Lease not to commence any action against the Company seeking possession of the Premises or dispossession of the Company from the Premises unless the Port Authority is required to do so by contract, lease, law, court order or otherwise, so long as it has not given a notice of termination in accordance with the terms of the Port Authority Lease.

Pursuant to the Company Sublease, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of such a gap in the Company's legal possession of the Premises as described above. **However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement. See "RISK FACTORS—Leasehold Term."** Upon such a termination (if the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated), the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding together with accrued interest thereon to the redemption date, and without premium.

RISK FACTORS

In determining whether to purchase the Series 2002 Bonds, each potential purchaser of the Series 2002 Bonds should carefully consider, among other matters, the following risk factors, along with all other information described elsewhere or incorporated in this Official Statement. The following discussion is not meant to be an exhaustive list of all of the risks associated with a purchase of the Series 2002 Bonds and does not necessarily reflect the relative importance of the various risks.

Company and AMR Financial Condition

Payment of the Series 2002 Bonds and any Additional Bonds is dependent upon the ability of the Company to make all required payments under the IDA Lease Agreement and the Company Guaranty and the ability of AMR to make all required payments under the AMR Guaranty. See APPENDIX A—"AMERICAN AIRLINES, INC. AND AMR CORPORATION" for information concerning the Company and AMR.

Neither the IDA Lease Agreement nor the Company Guaranty will contain any restriction on the ability of the Company to incur debt, to declare dividends or, except as described in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*" and in APPENDIX E—"SUMMARY OF CERTAIN PROVISION OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

The AMR Guaranty will not contain any restriction on the ability of AMR to incur debt, to declare dividends or, except as described in APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES—Assignment; Dissolution or Merger; Ability to Incur Debt," to merge with or into another entity or to sell or otherwise transfer any portion of its assets.

Special Risk Factors Related to the Company and AMR

On September 11, 2001, two of the Company's aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft also were hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration (the *"FAA"*) issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan National Airport, which has since fully reopened). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs. The Company's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the *"Stabilization Act"*) which for all United States airlines and air cargo carriers (*"air carriers"*) provides for, among other things: (i) $5 billion in compensation for direct losses (including lost revenues) incurred as a result of the federal ground stop order and for incremental losses incurred through December 31, 2001 as a direct result of the terrorist attacks on the United States, of which the Company and TWA LLC had received approximately $791 million as of June 28, 2002 and expect to receive additional payments in 2002 of approximately $41.6 million; (ii) subject to certain conditions, the availability of up to $10 billion in federal government guarantees of certain loans made to air carriers for which credit is not reasonably available as determined by a newly established Air Transportation Stabilization Board; (iii) the authority of the Secretary of Transportation to reimburse air carriers (which authority expired 180 days after the enactment of the Stabilization Act) for the increase in the cost of insurance, for coverage ending before October 1, 2002, over the premium in effect for the period September 4, 2001 to September 10, 2001; (iv) at the discretion of the Secretary of Transportation, a $100 million limit on the liability of any air carrier to third parties with respect to acts of terrorism committed on or to such air carrier during the 180-day period following the enactment of the Stabilization Act; (v) the extension of the due date for the payment by air carriers of certain excise taxes; and (vi) compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. In addition, the Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether for compensatory or punitive damages, arising from the terrorist-related events

of September 11, 2001 against any air carrier shall not exceed liability coverage maintained by the air carrier.

In November 2001, the Aviation and Transportation Security Act (the *"Aviation Security Act"*) was enacted. The Aviation Security Act imposes additional security requirements on air carriers that may require the installation by the Company of additional equipment at the Airport and at other U.S. airports. The cost of any such additional equipment and whether any remodeling of the Project or facilities at other U.S. airports will be required in connection therewith is not known by the Company at this time. The Company will, however, comply with any such requirements imposed by the Aviation Security Act.

Among the effects experienced by the Company from the September 11, 2001 terrorist attacks have been significant flight disruption costs caused by the FAA's imposed grounding of the U.S. airline industry's fleet, significantly increased security and other costs, significantly higher ticket refunds, significantly reduced load factors and significantly reduced yields. The occurrence of another terrorist attack (whether domestic or international and whether against the Company or another entity) could again have a material adverse impact on the Company, its finances and/or its operations.

The impact of the events of September 11, 2001 and their aftermath on the Company and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (i) the magnitude and duration of the adverse impact of the terrorist attacks on the economy in general and the airline industry in particular; (ii) the Company's ability to reduce its operating costs and conserve its financial resources, taking into account the increased costs it will incur as a consequence of the attacks, including those referred to below; (iii) the higher costs associated with new airline security directives, including the impact of the Aviation Security Act, and any other increased regulation of air carriers; (iv) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (v) the Company's ability to raise additional financing and the cost of such financing; (vi) the price and availability of jet fuel, and the availability to the Company of fuel hedges in light of current industry conditions; and (vii) the extent of the benefits received by the Company under the Stabilization Act, taking into account any challenges to and interpretations or amendments of the Stabilization Act or regulations issued pursuant thereto.

Due in part to the lack of predictability of future traffic, business mix and yields, the Company continues to have difficulty in estimating the impact of the events of September 11, 2001 and their consequences and the sufficiency of its financial resources to absorb that impact. However, given the magnitude of these unprecedented events and the possible subsequent effects, as well as higher unit costs coupled with the revenue pressures seen in the first quarter of 2002, the Company expects to incur a significant loss for 2002.

Because the Company is the principal subsidiary of AMR, all of the above risks are applicable to AMR as well.

AMR has stated that it anticipates announcing its second quarter 2002 earnings on July 17, 2002, and that in conjunction with such announcement it will host a conference call. A live webcast of the call will be available on the AMR website (www.amrcorp.com) under Investor Relations.

Risk Factors Related to the Airline Industry

The airline industry, in general, is cyclical and characterized by high sensitivity to general economic trends, intense competition among air carriers and significant fuel, labor, equipment, regulatory and other costs. The profitability of the industry has fluctuated dramatically since its deregulation in 1978. Additionally, since 1985, a series of airline mergers, takeovers, asset transfers and bankruptcies have resulted, and may continue to result, in a consolidation of the industry. See APPENDIX J—"GATE DEMAND STUDY."

Leasehold Term

Although the Port Authority has, subject to certain conditions, agreed to extend the term of the Port Authority Lease if the Basic Lease is extended, there can be no assurance that the Port Authority will be able to secure an extension of the term of the Basic Lease beyond its scheduled expiration date of December 31, 2015, or that the Company will be able to fulfill all conditions precedent to any extension of the Port Authority Lease if the Port Authority is able to extend the Basic Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Term." In addition, the Port Authority may include additional terms and provisions in any amendments or supplements to the Port Authority Lease in order to pass through to the Company any additional or substitute terms and conditions contained in any extension of the Basic Lease. It is impossible to predict at this time what those terms might be.

If the Basic Lease (and thus the Port Authority Lease) is not extended, there can be no assurance that all conditions precedent to the delivery and execution of the New City/American Lease will be fulfilled. See "—The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms" below for further discussion.

If the Port Authority Lease is not extended and all conditions precedent to the delivery and execution of the New City/American Lease are not met, the Company will not hold a leasehold interest in the Premises beyond December 27, 2015. The failure to execute an extension of the Port Authority Lease or to enter into the New City/American Lease would cause a termination of the Company Sublease which would result in a mandatory redemption of all outstanding Bonds at a redemption price equal to 100% of the principal amount of Series 2002 Bonds and all Additional Bonds outstanding, together with accrued interest to the date of redemption, and without premium. Since the Leasehold Mortgage will have terminated, the obligation of the Company (and of AMR under the AMR Guaranty) to pay the redemption price would be unsecured other than to the extent that the Bonds are secured by the Equipment Security Agreement.

If the Basic Lease is not extended, there can be no assurance that the Port Authority will not continue to assert claims to the use and occupancy of the Airport or assert the right to collect

rent from the Company. Should both the City and the Port Authority assert the right to collect rent from the Company at the Airport at such time, the Company is obligated under the Port Authority Lease to continue to pay rent to the Port Authority and the Company is obligated under the Agreement Towards Entering Into a Lease to pay rent to the City.

Pursuant to the Company Sublease and the IDA Lease Agreement, the Agency and the Company have agreed to waive any right of termination of both the Company Sublease and the IDA Lease Agreement as a result of the gap in the Company's legal possession of the Premises, as described under "SECURITY FOR THE BONDS—Company Sublease; The Lease Term Differential." However, no assurance can be given that this waiver will be effective and that such gap will not terminate the Company Sublease and the IDA Lease Agreement, which agreements may or may not be effectively reinstated upon the commencement of the lease term under the New City/American Lease, if any. In the event the Company Sublease and the IDA Lease Agreement cannot be effectively reinstated, the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount of Bonds Outstanding, together with accrued interest to the redemption date, and without premium.

Assignment of the Company's Interest in the Port Authority Lease

The Company is not restricted under either the Company Sublease or the IDA Lease Agreement from assigning the Port Authority Lease to a third party, although such an assignment would require the prior written consent of the Port Authority. However, no such assignment would relieve the Company of its obligations under the IDA Lease Agreement or the Company Guaranty or AMR of its obligations under the AMR Guaranty.

Risks Related to Delayed Effective Date and Recording of Leasehold Mortgage; Delay in Completion of Leased Facilities

The Leasehold Mortgage is not permitted to be executed, delivered or recorded until after the Leased Facilities have been substantially completed and the other Reletting Rights Effective Date Conditions have been satisfied. Any failure to substantially complete the Leased Facilities and to satisfy the other Reletting Rights Effective Date Conditions will result in the Leasehold Mortgage never becoming effective. If the Leasehold Mortgage does not become effective, the Company's and AMR's obligations under the Guaranties will not be secured by any leasehold mortgage of the Company's interest in the Premises and the only source of payment of the Bonds (including the Series 2002 Bonds) will be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting."

The delayed execution and recording of the Leasehold Mortgage will result in the lien on the Company's interest in the Premises being subordinate to any liens on the leasehold interest recorded prior to the recording of the Leasehold Mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code" below.

Although the Company currently estimates that the construction of the Leased Facilities will be substantially completed in August, 2006, and that the other Reletting Rights Effective Date Conditions will be satisfied by August 31, 2007, prospective investors should consider that completion of the construction of the Leased Facilities by the anticipated completion date could be adversely affected by such factors as (a) estimating errors, (b) design and engineering errors, (c) delays in the award or processing of construction contracts or changes in construction plans, (d) unforeseen site conditions, (e) labor difficulties, (f) adverse weather conditions, (g) contractor defaults and (h) other construction related delays. The ability of the Company to complete the Leased Facilities depends on the ability of the Company to provide additional funding, either through the issuance of Additional Bonds or from other sources, in an amount that is currently estimated to be approximately $800 million. See "THE PROJECT; PLAN OF FINANCE," and APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE." Pursuant to the Port Authority Lease, the Port Authority retains substantial control over the Project. To the extent that the Company must obtain approvals from the Port Authority to complete the Project, the Company may encounter delays and incur additional expenses. There is no assurance that the Port Authority will grant any approval for actions with respect to the Project and any failure or refusal of the Port Authority to grant any such approval could have a negative effect on the Company and the Leased Facilities. If the Project is not substantially completed, the Leasehold Mortgage cannot be executed, delivered or recorded. See "THE PROJECT; PLAN OF FINANCE."

Circumstances under Which the Leasehold Mortgage Can Terminate

The Leasehold Mortgage will terminate automatically upon the occurrence of certain events as set forth in the Port Authority Consent. See APPENDIX G— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE." If such events were to occur, the obligations of the Company and of AMR under the Guaranties would cease to be secured by the Leasehold Mortgage.

Termination of the Port Authority Lease

The Port Authority has the right to terminate the Port Authority Lease following the occurrence of certain events set forth therein, subject to the rights of the Leasehold Mortgagee to cure such default, if applicable. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE" for a description of the events that give rise to the Port Authority's right to terminate the Port Authority Lease. In addition, a violation of certain covenants and representations by the Company under the Port Authority Consent would constitute a material breach of the Port Authority Lease, allowing the Port Authority to terminate the Port Authority Lease. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions*" and APPENDIX G— "SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Port Authority Consent—*Covenants With Respect to the Leasehold Mortgage.*" Termination of the Port Authority Lease due to a default by the Company thereunder (i) would be an event of default under the Indenture which could cause an acceleration of the Bonds and (ii) would result in the termination of the Company Sublease and a mandatory redemption of the

Series 2002 Bonds and all Additional Bonds at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. Such a termination of the Port Authority Lease also would result in the loss of the opportunity to enter into the New City/American Lease and, therefore, the loss of the Company's possession of the Premises and its right to use the Terminal.

Upon the occurrence of certain Triggering Events set forth in the Port Authority Lease (which include the failure to make certain payments required under the Port Authority Lease and other agreements with the Port Authority and certain adverse changes to the Company), the Port Authority Lease will be deemed to be a "permitted tenancy" on a month-to-month periodical basis. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority." Such permitted tenancy may continue until the date on which the Port Authority Lease would have expired had such Triggering Events not occurred. After four consecutive calendar quarters have elapsed after a Triggering Event, the Company and the Port Authority will enter into a supplemental lease. There can be no assurance that the terms and provisions of such a supplemental lease would be acceptable to the Company and that the Company would continue to occupy the Premises following such a Triggering Event. **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the leasehold mortgagee to foreclose the new leasehold mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."** Under New York law such a month-to-month tenancy could be terminated by either party, upon 30 days' notice, for any reason.

Upon a conversion to a month-to-month tenancy, the Company's interest in the Premises could be of little or no value and, therefore, the Leasehold Mortgage would offer little or no security for the obligations of the Company or AMR.

The Agreement Towards Entering Into a Lease; New Leasehold Mortgage and Related Terms

Pursuant to the Agreement Towards Entering Into a Lease, there are certain conditions precedent to the City's obligations to enter into the New City/American Lease. There can be no assurance that such conditions precedent to the execution of the New City/American Lease by the City will be met, or if they are not met, that the City will waive such conditions. If the City and the Company do not enter into the New City/American Lease prior to the expiration, if any, of the Port Authority Lease, the Company's leasehold interest in the Premises will expire, the Company Sublease will terminate and the Series 2002 Bonds and all Additional Bonds will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date of redemption, and without premium. **In such event, if the Company (or AMR under the AMR Guaranty) were unable to pay the redemption price, the Bondholders would have no recourse under the Leasehold Mortgage since the Port Authority Lease would have expired.**

The terms of the New City/American Lease may contain terms and conditions substantially different from those in the Port Authority Lease, which terms and conditions may adversely affect the value of the Company's leasehold interest in the Premises. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Summary of Terms of the New City/American Lease.*" **These changed terms could diminish the value and rentability of the Company's leasehold and could add to, or significantly differ from, the provisions of the Port Authority Lease governing restrictions on the ability of the Leasehold Mortgagee to foreclose the Leasehold Mortgage as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" and in APPENDIX F —"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights."**

The Leasehold Mortgage, by its terms, terminates upon the expiration without renewal of the Basic Lease between the City and the Port Authority. The Basic Lease is currently scheduled to expire on December 31, 2015. The City has agreed in the Agreement Towards Entering Into a Lease that it will not unreasonably withhold its consent to a new leasehold mortgage in favor of the Trustee (or an approved successor trustee), as leasehold mortgagee, of the Company's interest in any New City/American Lease at the time the New City/American Lease becomes effective. The form, terms and provisions of such new leasehold mortgage are not specified in the Agreement Towards Entering Into a Lease. A new leasehold mortgage covering the New City/American Lease having terms satisfactory to the City must be negotiated at such time.

At the time of recording such a new leasehold mortgage, a mortgage recording tax (the *"Recording Tax"*) could be imposed. Currently, the Recording Tax is equal to 2.75% of the principal amount secured by such a leasehold mortgage. The Leasehold Mortgage is exempt from the Recording Tax. There can be no assurance, however, that such an exemption from the Recording Tax would be available at the time of recording of a new leasehold mortgage covering the New City/American Lease. If a Recording Tax were imposed at the time of recording of such a new leasehold mortgage covering the New City/American Lease, the amount of the Recording Tax could be based on the current rate or a higher rate. Such an amount would be substantial and there are no funds reserved for payment of such a Recording Tax. The Company has covenanted to pay the Recording Tax upon recording such a new leasehold mortgage covering the New City/American Lease, but if the Recording Tax is not paid, such a leasehold mortgage would not be recorded and the Company's and AMR's obligations under the Guaranties would not be secured by a leasehold mortgage of the Company's interest in the Premises under the New City/American Lease.

In the IDA Lease Agreement, the Company will agree to use commercially reasonable good faith efforts to grant to the Trustee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage, but if the Company, using such efforts, can only obtain from the City the right to grant the Trustee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by other similarly situated air carriers on leasehold interests in property at the Airport, the Company will be deemed to have satisfied such obligation if it grants such a leasehold mortgage to the Trustee.

There can be no assurance that any such new leasehold mortgage of the Company's interest in the Premises under the New City/American Lease will have terms similar to the Leasehold Mortgage as described herein or whether a leasehold mortgage satisfactory to the parties will, in fact, be agreed to and executed.

The Agreement Towards Entering Into a Lease also provides that after the effective date, if any, of the Leasehold Mortgage, subject to the specific limitations set forth in the Agreement Towards Entering Into a Lease, the Leasehold Mortgagee may perform the obligations of the Company under the Agreement Towards Entering Into a Lease.

In addition, under certain limited circumstances and subject to conditions that may be difficult to satisfy, the Leasehold Mortgagee may direct the City to enter into an Agreement Towards Entering Into a Lease and a City Attornment Agreement with a City Approved Successor Lessee. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Leasehold Mortgagee's Termination Rights*" for a summary of such provisions and all conditions precedent. **Until such time, if any, as the Leasehold Mortgage has become effective, the Leasehold Mortgagee will not have any rights under the Agreement Towards Entering Into a Lease with the City.**

Entering into a new leasehold mortgage could result in the lien on the leasehold interest in the Premises being subordinate to any liens on the leasehold interest recorded prior to the recording of the new leasehold mortgage and also raises certain bankruptcy issues. See "—Certain Considerations under the United States Bankruptcy Code" below.

Section 1301(2)(1) of the City Charter provides that no lease of airport property, such as the New City/American Lease, may be executed by the Commissioner of Business Services until a public hearing has been held with respect thereto after the publication of notice in the City Record at least thirty days in advance. In order for the City to execute and deliver the New City/American Lease, such a public 1301 Hearing must be held.

Insurance Coverage

The Company is obligated under the Port Authority Lease to obtain and keep in force, or cause to be kept in force, certain comprehensive insurance with respect to the Leased Facilities to the extent of the replacement value of such facilities, including business interruption insurance. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Insurance." There is no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which the Company is insured will cover all unanticipated losses.

The Port Authority Lease provides that insurance coverages will be payable to the City. In the event of partial or total loss of the Leased Facilities, the proceeds of casualty insurance may not be sufficient to rebuild the Leased Facilities, or be available for redemption of the Bonds, including the Series 2002 Bonds.

If the Company is unable to rebuild or restore the Leased Facilities, or if it estimates that it will be unable to rebuild or restore the Leased Facilities within the periods required by the Port Authority Lease, the Port Authority Lease could be terminated. There can be no assurance that any business interruption insurance will be sufficient to pay amounts due under the Port Authority Lease and principal of and the interest on the Series 2002 Bonds and any Additional Bonds during the period of rebuilding.

Additional Bonds

The Series 2002 Bonds are being issued to finance a portion of the cost of the Project and the Company currently intends to finance the completion of the Project with the issuance of Additional Bonds (*provided* that the maximum principal amount of Bonds, including the Series 2002 Bonds, cannot exceed $2,300,000,000) under the Indenture which will rank on a parity with the Series 2002 Bonds. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Issuance of Additional Bonds*" and APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds."

The issuance of Additional Bonds would dilute the value of the security relating to the then outstanding Bonds, including the value of the security created under the Leasehold Mortgage, if any, and the Equipment Security Agreement. See "SECURITY FOR THE BONDS." This could result in a reduction in the cash available to make payments of principal of and interest on the Series 2002 Bonds. The issuance of Additional Bonds increases the indebtedness of the Company, which could have a negative impact on the ability of the Company to pay its obligations with respect to the Bonds.

No Mortgage Title Insurance

Upon initial issuance of the Series 2002 Bonds a leasehold title insurance policy for the benefit of the Agency will be obtained in the amount of $1,000,000. No additional title insurance will be obtained in connection with the issuance of any Additional Bonds. No mortgage title insurance will be obtained.

Limitations Upon Leasehold Mortgagee's Ability to Realize Benefits of the Leasehold Mortgage

Upon and during a Leasehold Mortgage Default the Leasehold Mortgagee may seek to foreclose upon the Company's leasehold interest in the Premises under the Port Authority Lease and assign such interest to a Qualifying Replacement Tenant. The sole right of the Leasehold Mortgagee pursuant to the exercise of its rights under the Leasehold Mortgage following a Leasehold Mortgage Default is to exclude the Company from possession of the Premises and to select a Qualifying Replacement Tenant during the Foreclosure Period. See APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*" See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting" for a more detailed discussion of the leasehold mortgage rights granted to the Leasehold Mortgagee. Certain practical and legal

considerations, however, could inhibit or materially delay the Leasehold Mortgagee's ability to foreclose upon its interests in the Port Authority Lease or to locate a Qualifying Replacement Tenant for the Premises and could otherwise preclude the receipt of sufficient revenues following a foreclosure to repay all the Bonds.

Effect of Company Bankruptcy. In addition to giving rise to the possibility of avoidance of the Leasehold Mortgage as a preference or a fraudulent conveyance and limited damages against the Company as described below under "—Certain Considerations Under the United States Bankruptcy Code," during a bankruptcy of the Company certain procedural and substantive provisions of the United States Bankruptcy Code could significantly delay or inhibit the Leasehold Mortgagee's ability to cause the Company to initially grant the Leasehold Mortgage or to surrender any or all of the Premises so that the Company's leasehold interest in such Premises could be assigned to a Qualifying Replacement Tenant. In particular, the automatic stay imposed upon a bankruptcy filing would prohibit the future grant of a Leasehold Mortgage upon either the Port Authority Lease or the New City/American Lease absent bankruptcy court approval. In addition, while the Leasehold Mortgage, if it has been executed and recorded, would permit the Bondholders to be treated as secured creditors in a bankruptcy proceeding involving the Company, the automatic stay against foreclosure on the Leasehold Mortgage would mean that the Leasehold Mortgagee would not be able to foreclose on the Leasehold Mortgage and obtain a Qualifying Replacement Tenant for the Premises during the pendency of the bankruptcy proceeding. Since prepetition claims are not typically paid during a bankruptcy, absent special circumstances, such as the granting of adequate protection under Section 361 of the United States Bankruptcy Code, there can be no assurance that the Company will not suspend its payments in respect of the Bonds during the pendency of any bankruptcy proceedings.

Limited Foreclosure Period. If the Company does not consent to the assignment of its rights and obligations with respect to the Premises to a new tenant following a Leasehold Mortgage Default, the Leasehold Mortgagee will have a maximum of 720 days following the delivery by the Leasehold Mortgagee to the Port Authority of the Foreclosure Notice stating the Leasehold Mortgagee's intention to exercise its rights under the Leasehold Mortgage to foreclose upon the Company's interest in the Premises pursuant to the Leasehold Mortgage. Under New York law, the Leasehold Mortgagee must comply with many procedural requirements to foreclose on the Leasehold Mortgage. These include time-consuming filing and notice requirements. In addition, a judgment of foreclosure must be obtained from applicable administrative and/or judicial authorities and acted upon by the local sheriff. It is possible, particularly if the Company or any of its other creditors challenge the foreclosure, that the Leasehold Mortgagee may not be able to foreclose within the up to 720 day time period and, in such event, the Leasehold Mortgagee would lose its right to obtain a Qualifying Replacement Tenant for the Premises.

Leasehold Mortgagee's Obligations During Foreclosure Period. As a condition to exercising its rights under the Leasehold Mortgage, the Leasehold Mortgagee must pay to the Port Authority all accrued but unpaid Company's Aggregate Port Authority Lease Obligations at the time the Leasehold Mortgagee delivers the Foreclosure Notice. Further, the Leasehold Mortgagee will thereafter be responsible for paying all current Company's Aggregate Port

Authority Lease Obligations not paid by the Company under the Port Authority Lease from and after the date it elects to enforce its rights under the Leasehold Mortgage. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments.*" The Indenture will establish a Foreclosure Payment Account held in the Mortgage Reserve Fund to be funded by the Company at the time the Company delivers the executed Leasehold Mortgage to the Trustee following satisfaction of the Reletting Rights Effective Date Conditions. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments,*" and in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease.*" There is no assurance, however, that the Company will have the funds necessary to fund the Foreclosure Payment Account of the Mortgage Reserve Fund. The amount required to be deposited in the Foreclosure Payment Account of the Mortgage Reserve Fund is estimated to be equal to three months of the Company's Aggregate Port Authority Lease Obligations in 2006, based on various assumptions. Amounts in the Foreclosure Payment Account may be used to preserve the rights of the Leasehold Mortgagee under the Port Authority Lease while the Leasehold Mortgagee is attempting to locate a Qualifying Replacement Tenant for the Premises (which might thereafter assume any further obligations that would accrue during the Foreclosure Period to preserve the effectiveness of the Leasehold Mortgage until it can gain possession of the Premises). Amounts required to be paid by the Company under the Port Authority Lease may be highly variable and are expected to increase over time, and after the earlier to occur of (i) December 22, 2031 and (ii) the 25th anniversary of the Redevelopment Work Completion Date, the rent payable by the Company under the Port Authority Lease will increase significantly. There can be no assurance that the Foreclosure Payment Account of the Mortgage Reserve Fund will, in fact, be adequate for its purpose, or that any Qualifying Replacement Tenant, if located, would be willing to assume any such further obligations that accrue during the Foreclosure Period. If the Foreclosure Payment Account of the Mortgage Reserve Fund is not sufficient, the Bondholders may be compelled to choose between providing additional funds to the Leasehold Mortgagee for that purpose on the one hand and losing their rights under the Leasehold Mortgage on the other hand.

One Time Right. The provisions of the Port Authority Lease governing the Leasehold Mortgage permit the Company to grant the Leasehold Mortgage one time only. Once the Leasehold Mortgagee begins to exercise its Reletting Rights, those Reletting Rights can never be exercised again whether or not a Qualifying Replacement Tenant is selected by the Leasehold Mortgagee and approved by the Port Authority. Once the Foreclosure Period begins, any failure of the Leasehold Mortgagee to file any notices, to make any payments or to comply with any other relevant provision of the Port Authority Lease will terminate the Reletting Rights forever. In addition, the Port Authority Lease provides that subsequent tenants will not be allowed to mortgage their interests in the Premises. Thus, the Leasehold Mortgagee and Bondholders will have no further rights or interests in the Premises following the assignment of the rights and obligations of the Company under the Port Authority Lease to a Qualifying Replacement Tenant.

Uncertain Gate Demand; Availability of Competing Facilities. The likelihood that the Leasehold Mortgagee would be able to find a Qualifying Replacement Tenant for the Premises

would be affected by the supply of and demand for gates at the Airport and in the greater New York area. Such supply and demand cannot be predicted at this time and could be affected by such factors as an economic downturn in the area at the time the Leasehold Mortgagee is seeking a Qualifying Replacement Tenant. In addition, the requirements that any Qualifying Replacement Tenant for the Premises make certain payments as discussed further under "*—Assumption of Bond Obligations*" above and "*—Payment of Deferred Reletting Fee to the Port Authority*" below, particularly if competing facilities are available without those payment requirements, could make it difficult for the Leasehold Mortgagee to locate a Qualifying Replacement Tenant for the Premises. In any event, no assurance can be given as to whether the Leasehold Mortgagee can obtain a Qualifying Replacement Tenant.

See the Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. attached hereto as Appendix J. The assumptions, findings and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency or the Company.

Assumption of Bond Obligations. Finding a successor tenant who is willing to satisfy all payment requirements of a Qualifying Replacement Tenant as set forth below and who will also assume all or part of the obligation to pay the Bonds then outstanding will be difficult, especially if there are other facilities available at the Airport. Also, such potential successor tenant could lease the Premises from the Port Authority at the end of the Foreclosure Period (up to 720 days) without making any such payments. A Qualifying Replacement Tenant is not required to assume all or any part of the obligation to pay the Bonds.

Requirement for Single Successor Tenant or Consortium of Tenants. The Port Authority Lease provides that the Leasehold Mortgagee may assign the Port Authority Lease only to a single tenant or to a consortium of tenants, each of which is jointly and severally responsible for the consortium's liabilities and meets certain requirements described under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards,*" but not to multiple tenants that are not part of a consortium. This limits the availability of potential Qualifying Replacement Tenants.

Payment of Deferred Reletting Fee to the Port Authority. As a condition to assuming the Company's rights and interests with respect to the Premises, the Leasehold Mortgagee or a Qualifying Replacement Tenant must pay to the Port Authority at the time of such assumption a deferred reletting fee. See "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards—Payment of Accrued Company Obligations and Deferred Reletting Fee.*" This fee, and the fact that the Port Authority could lease the same property to the same tenant immediately following the expiration of the term of the Foreclosure Period under the Leasehold Mortgage (*i.e.*, up to 720 days) without regard to this fee, could impair the ability of the Leasehold Mortgagee to find a Qualifying Replacement Tenant willing to assume the Company's obligations with respect to the Leased Facilities under the IDA Lease Agreement and the Port Authority Lease.

Limitations on Successor Tenants. Any proposed replacement tenant is subject to approval of the Port Authority. In addition, both the Agreement Towards Entering Into a Lease

and the City Attornment Agreement are subject to termination, at the option of the City, if a Qualifying Replacement Tenant succeeds to the Company's leasehold interest in the Port Authority Lease and such Qualifying Replacement Tenant has not been approved by the City. See APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease." As described above under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards*," the Port Authority is entitled to consider a number of factors in determining whether to provide its consent to a proposed replacement tenant selected by the Leasehold Mortgagee. Some of the factors the Port Authority may consider in deciding whether to approve a proposed replacement tenant provide the Port Authority with significant discretion to reject any proposed replacement tenant who is otherwise willing and able to assume the Company's rights and obligations under the Port Authority Lease with respect to the Premises.

Certain Considerations under the United States Bankruptcy Code

Bankruptcy of Company. In the event a bankruptcy case is filed with respect to the Company, a bankruptcy court could determine that the IDA Lease Agreement is an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code. In that event, a trustee in bankruptcy or the Company as a debtor-in-possession might reject the IDA Lease Agreement. Any rejection of the IDA Lease Agreement could result in a claim for damages against the Company in connection with the Series 2002 Bonds and all Additional Bonds, which claim would rank as that of a general unsecured creditor of the Company. If the IDA Lease Agreement were determined to be an unexpired lease of non-residential real property, under Section 502(b)(6) of the United States Bankruptcy Code the amount of such corresponding claim would be limited to the rent payable under the IDA Lease Agreement (without acceleration) for the greater of one year or 15% of the remaining term of the IDA Lease Agreement, 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 Agency repossessed or the Company surrendered the Leased Facilities under the IDA Lease Agreement, plus any unpaid rentals under the IDA Lease Agreement (without acceleration) on the earlier of such dates. In this event, any claim with respect to Series 2002 Bonds and Additional Bonds that does not mature (absent acceleration) within the period of one year or 15% of the remaining term of the IDA Lease Agreement (but not in excess of three years) following the bankruptcy commencement dates (*i.e.*, the earlier of (a) or (b) above) could be limited to the interest which would accrue on such Series 2002 Bonds during such period and may not permit a claim for the recovery of principal since it is anticipated that there will be no principal amortization of the Series 2002 Bonds and the Additional Bonds until August 1, 2015. As a result, owners of the Series 2002 Bonds could suffer a substantial loss with respect to their investment in the Series 2002 Bonds. Moreover, even if the IDA Lease Agreement is not found to be an executory contract or unexpired lease, the treatment accorded the claim represented by the IDA Lease Agreement in the bankruptcy, through a plan of reorganization or otherwise, could adversely affect the funds available to pay the Series 2002 Bonds.

Pursuant to the terms of the Guaranties, the Company and AMR have separately unconditionally guaranteed to the Trustee, for the benefit of the owners of the Series 2002 Bonds and all Additional Bonds, the full and prompt payment of the principal and purchase price of, and premium, if any, on the Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by redemption, acceleration or otherwise, and the full and prompt payment of the interest on the Bonds when and as the same shall become due and payable as provided in the Indenture. See APPENDIX E—"SUMMARY OF CERTAIN PROVISIONS OF THE GUARANTIES." The obligations covered by the Guaranties are intended by the parties to be independent of those set out in the IDA Lease Agreement (and thereby not subject to United States Bankruptcy Code limitations on claims for damages with respect to non-residential real property leases described above) and to be enforceable without regard to the validity or enforceability of the IDA Lease Agreement or any obligation of the Company contained therein. In the event a bankruptcy case were filed with respect to the Company or AMR, the Trustee may file a claim pursuant to the applicable Guaranty, independent of any claim under the IDA Lease Agreement, for the payment of all amounts, if any, required for the payment of the principal and purchase price of, premium, if any, and interest on the Bonds when due. Such claim, if allowed, would rank as that of a general unsecured creditor of the Company or AMR, respectively, unless the Leasehold Mortgage has become effective. A bankruptcy court could determine, however, that the Trustee's claim under the applicable Guaranty or the Guaranties should be limited to the same extent as the United States 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 IDA Lease Agreement and the Leasehold Mortgage would secure only such limited obligations of the Company and AMR. No assurance can be given that the Trustee's claims in connection with the applicable Guaranty or the Guaranties will not be so limited. In such an event, the applicable Guaranty or the Guaranties would provide no additional security for payments due on the Series 2002 Bonds.

No representation or warranty is made by the Company, AMR or any other party that any claim under the IDA Lease Agreement or the Guaranties will be allowed or that any recovery on any such claim will be permitted under the United States Bankruptcy Code. AMR is a holding company with no direct operations and no significant assets other than the stock of its subsidiaries. Therefore, in the event of a bankruptcy filing or monetary default by the Company, the value of the AMR Guaranty may be adversely affected.

If after the date, if any, that (i) the Leasehold Mortgage is recorded, or (ii) a new leasehold mortgage is executed and recorded covering the New City/American Lease, a bankruptcy case is filed with respect to the Company, a bankruptcy court could determine that the grant of the Leasehold Mortgage with respect to either the Port Authority Lease or the New City/American Lease constituted a preference or a fraudulent transfer under the United States Bankruptcy Code and, therefore, the grant of the Leasehold Mortgage with respect to the Port Authority Lease or the New City/American Lease, as applicable, could be avoided or set aside. In addition, in either such a bankruptcy proceeding or a state court proceeding by an unpaid creditor, a court could find that the grant of the Leasehold Mortgage with respect to either the Port Authority Lease or the New City/American Lease constituted a fraudulent conveyance under state fraudulent conveyance laws and, therefore, the grant of the Leasehold Mortgage with

respect to either the Port Authority Lease or the New City/American Lease, as applicable, could be avoided or set aside. The time periods applicable to preferences under the United States Bankruptcy Code, fraudulent transfer under the United States Bankruptcy Code and fraudulent conveyances under state law vary and therefore, if one or two such time periods have expired but at least one time period remains open, such mortgage grant remains subject to avoidance or set aside. Moreover, there is no assurance as to what standard a court would apply to determine if the Company was solvent at the relevant time period. In the event that the Leasehold Mortgage is avoided or set aside, the Company's and AMR's obligations under the Guaranties will not be secured by any leasehold mortgage of the Company's interest in the Premises and the only source of payment of the Bonds (including the Series 2002 Bonds) or recourse will be (i) the Equipment Security Agreement, (ii) the unsecured obligations of the Company under the IDA Lease Agreement and the Company Guaranty and (iii) the unsecured obligation of AMR under the AMR Guaranty.

Bankruptcy of City. The New York Local Finance Law (McKinney's Local Finance Law) currently authorizes the City to be a debtor under the applicable provisions of the United States Bankruptcy Code with respect to municipalities. If the City should file a proceeding under Chapter 9 of the United States Bankruptcy Code, it is possible that actions could be taken in that case, despite the existence of Section 929 of the United States Bankruptcy Code, which would impact or alter the Basic Lease, the Agreement Towards Entering Into a Lease, the City Attornment Agreement or, if in effect, the New City/American Lease. Such actions could adversely affect the security for the Series 2002 Bonds.

Possible Loss of Tax-Exempt Status of Interest on Series 2002 Bonds

On the date of delivery of and payment for the Series 2002 Bonds, Bond Counsel will render its opinion with respect to the tax-exempt status of the interest on the Series 2002 Bonds, the form of which opinion is set forth in APPENDIX I—"FORM OF OPINION OF BOND COUNSEL." See also "TAX MATTERS" herein.

In the event the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is determined to be includable in gross income of holders or Beneficial Owners of the Series 2002 Bonds for federal tax purposes, the Series 2002 Bonds will be subject to mandatory redemption as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability*" herein. In such event, there will be no adjustment in the interest rate on the Series 2002 Bonds and the owners will not be indemnified against losses sustained as a result of a determination that the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is not excludable from gross income for federal income tax purposes. Further, a determination that the interest (and any tax-exempt original issue discount) on the Series 2002 Bonds is includable in gross income of the holders or Beneficial Owners may not occur for a substantial period of time after interest first becomes includable in the gross income of the owners thereof for federal income tax purposes. Additionally, if the lien of the Indenture has been defeased pursuant to the provisions thereof summarized in Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Discharge of Indenture," the Series 2002 Bonds will not be subject to mandatory redemption upon the occurrence of a Determination of Taxability.

The loss of the exclusion of the interest (and any tax-exempt original issue discount) on any Series 2002 Bonds from gross income of the owners thereof for federal income tax purposes could be retroactive to the date of issuance of the Series 2002 Bonds. The tax liability of the owners of any Series 2002 Bonds for failure to include interest (and any original issue discount) on such Series 2002 Bonds in their gross income may extend to years for which interest (and any original issue discount) was received or accrued on such Series 2002 Bonds, or some portion thereof, and for which the relevant statute of limitations has not yet run. If all of the Series 2002 Bonds are redeemed as described under "THE SERIES 2002 BONDS—Redemption Prior to Maturity," then the failure by the Company to observe or perform a covenant or agreement in the IDA Lease Agreement or the inaccuracy of any representation or warranty made by the Company in the IDA Lease Agreement or the Tax Certificate, either of which results in a Determination of Taxability, shall not constitute an Event of Default under the IDA Lease Agreement or the Indenture and payment of the redemption price specified above shall constitute full and complete payment and satisfaction to the owners of the Series 2002 Bonds for any claims, damages, costs or expenses arising out of or based upon such failure by the Company.

TAX MATTERS

The Internal Revenue Code of 1986, as amended, and the temporary, proposed or final regulations promulgated thereunder (the *"Code"*) establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2002 Bonds in order that interest on the Series 2002 Bonds be and remain not includable in gross income of the Bondholders for federal income tax purposes pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2002 Bonds and the Leased Facilities, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Pursuant to the Agency's and the Company's Series 2002 Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, and accompanying attachments, executed by the Company dated the date of issuance of the Series 2002 Bonds (the *"Series 2002 Tax Certificate"*), the Company will make certain representations, certifications and covenants relating to such non-inclusion in gross income. The IDA Lease Agreement and the Series 2002 Tax Certificate will obligate the Company to do and perform all acts and things necessary and within its control to assure that interest on the Series 2002 Bonds not be included in gross income pursuant to Section 103 of the Code. Noncompliance with current requirements or future amendments may cause interest on the Series 2002 Bonds to become subject to federal income taxes retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. **In the event of a Determination of Taxability, the Series 2002 Bonds are subject to mandatory redemption (unless the lien of the Indenture has been defeased) without interest rate adjustment and Bondholders will not be indemnified against losses (including but not limited to tax deficiencies, interest and penalties) sustained as a result of such Determination of Taxability. See "RISK FACTORS—Possible Loss of Tax-Exempt Status of Interest on Series 2002 Bonds."**

In the opinion of Winston & Strawn, New York, New York, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance by the Agency and the Company (and their successors) with covenants and the accuracy of the representations and

certifications referenced above, interest on the Series 2002 Bonds will not be included in gross income for federal income tax purposes pursuant to Section 103 of the Code. Under the Code, however, such interest is treated as a preference item to be included in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed with respect to individuals and corporations. No opinion is expressed by Bond Counsel as to the non-inclusion of interest on any Series 2002 Bond in gross income during the period that such Series 2002 Bond is held by a "substantial user" of the Facility or a "related person" within the meaning of Section 147(a) of the Code.

In rendering the opinion described above with respect to the Series 2002 Bonds, Bond Counsel has relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectations and certifications of fact and compliance with covenants contained in the IDA Lease Agreement and the Series 2002 Tax Certificate, each to be delivered on the date of original issuance of the Series 2002 Bonds with respect to matters affecting the non-inclusion in gross income of interest on the Series 2002 Bonds for purposes of federal income taxation.

In addition, certain requirements and procedures contained or referred to in the Indenture, the IDA Lease Agreement, the Series 2002 Tax Certificate and other relevant documents and certificates may be changed and certain actions may be taken subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents or certificates, upon the advice or with the approving opinion of nationally recognized bond counsel. Winston & Strawn expresses no opinion as to the impact of any such change or action on the tax-exempt status of interest on any Series 2002 Bond if such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn.

Under the Code, interest on the Series 2002 Bonds is to be taken into account in the computation of the foreign branch profits tax.

The Code further provides that interest on the Series 2002 Bonds is includable in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments are to be included in the taxable income of individuals.

The Code also imposes a tax on excess net passive income of certain S Corporations that have subchapter C earnings and profits. Passive investment income includes interest on tax exempt obligations. Moreover, the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry tax exempt obligations such as the Series 2002 Bonds.

The foregoing is not intended as an exhaustive list of potential collateral tax consequences of the ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations such as the Series 2002 Bonds. Bondholders should consult their tax advisors with respect to the calculations of alternative minimum tax, foreign branch profits tax liability, the taxation of net passive income of S Corporations, collateral effects upon financial institutions and property and casualty insurance companies, the impact on the earned income credit, the deductibility of interest on obligations incurred or continued to purchase or carry the Series 2002

Bonds or the inclusion of Social Security or other retirement payments in taxable income. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

Certain maturities of the Series 2002 Bonds may be initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2002 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount in respect of each Series 2002 Bond of the same maturity (the *"Discount Bonds"*). Bond Counsel is of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes, and is subject to the alternative minimum tax to the same extent as interest on the Series 2002 Bonds. Original issue discount accrues over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Original issue discount may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event the Company encounters financial difficulties. The tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to such holder's purchase price of such Discount Bond, the original issue discount which has accrued. The portion of the original issue discount on a Discount Bond that accrues in each taxable year is included in the calculation of the alternative minimum tax to the same extent as interest on the Series 2002 Bonds and may have collateral tax consequences for the taxpayers referred to above. Accordingly, owners of Discount Bonds are advised that the accrual of original issue discount could cause an increase in tax liability although no cash will have been received in the year of accrual. Owners of Discount Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount which will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of the owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Bonds.

Certain maturities of the Series 2002 Bonds may be initially offered to the public at prices greater than the principal amount thereof payable at maturity. If Series 2002 Bonds are sold at prices in excess of their principal amount (*"Premium Bonds"*), the excess constitutes amortizable bond premium which, as it amortizes, will reduce the holder's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bonds. No deduction is allowable for amortizable bond premium. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owners and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2002 Bonds may adversely affect the tax status of interest on the Series 2002 Bonds. The Code has been continuously subject to legislative modifications, amendments and revisions and bills proposing further changes are regularly introduced in the United States Congress. No representation is made as to whether bills adversely affecting the tax-exempt status of interest on governmental obligations, such as the Series 2002 Bonds, or the economic value of owning such obligations, will be introduced or enacted, or if enacted, the effective date of any such legislation, and no assurances can be given that such bills or amendments will not materially and adversely affect the economic value of the Series 2002 Bonds or the federal and state tax consequences of ownership of the Series 2002 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2002 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the Series 2002 Bonds are exempt from all taxation directly imposed thereon by or under authority of said State, except for transfer and estate taxes.

Reference is made to Appendix I hereto for the proposed form of the approving opinion expected to be rendered by Bond Counsel in connection with the Series 2002 Bonds.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement (the *"Bond Purchase Agreement"*) among the Agency, the Company, AMR and Salomon Smith Barney Inc., as representative of the underwriters (the *"Underwriters"*), the Underwriters have agreed to purchase the Series 2002 Bonds at a purchase price of $_____, which is the par amount of the Series 2002 Bonds less an underwriting discount of $_____ and original issue discount of $_____, plus a premium of $_____ and accrued interest of $_____. The Bond Purchase Agreement provides that the obligation of the Underwriters is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2002 Bonds if any of the Series 2002 Bonds are purchased. The Series 2002 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2002 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. After the initial public offering, the public offering price of the Series 2002 Bonds may be changed from time to time by the Underwriters. The Company and AMR have agreed to indemnify the Underwriters and the Agency against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws.

In the ordinary course of their respective businesses, the Underwriters and certain of their respective affiliates have engaged, and expect in the future to engage, in commercial banking transactions with the Company and AMR.

CONTINUING DISCLOSURE

The Company and AMR, on the date of issuance of the Series 2002 Bonds, will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Series 2002 Bonds. Under the Undertaking, the Company and AMR are required to send certain information annually and provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission (the *"Commission"*) under the Securities Exchange Act of 1934 (the *"Exchange Act"*). The information to be provided on an annual basis, the events that are required to be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under "THE UNDERTAKING."

Each of the Company and AMR has represented that it is in compliance with all undertakings previously entered into by it pursuant to the Rule. A failure by the Company or AMR to comply with the Undertaking will not constitute an Event of Default under the IDA Lease Agreement, the Indenture or the Guaranties and beneficial owners of the Series 2002 Bonds are limited to the remedies described in the Undertaking. See "THE UNDERTAKING—Consequences of Failure of the Company or AMR to Provide Information." A failure by the Company or AMR to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2002 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2002 Bonds and their market price.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the Company and AMR and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the Company.

Annual Financial Information Disclosure

Each of the Company and AMR covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the Commission. Each of the Company and AMR also covenants that it will send a notice to each Nationally Recognized Municipal Securities Information Repository (a *"NRMSIR"*) then recognized by the Commission for purposes of the Rule and to any public or private repository designated by the State of New York as the state information depository (the *"SID"*) and recognized as such by the Commission for purposes of the Rule on an annual basis indicating that its Annual Report on Form 10-K filed with the Commission, in accordance with the Exchange Act, constitutes its Annual Financial Information and Audited Financial Statements for that year.

"*Annual Financial Information*" of the Company or AMR means information of the type contained in the Annual Report on Form 10-K filed with the Commission by the Company or AMR, as the case may be, in accordance with the Exchange Act.

"*Audited Financial Statements*" means the audited financial statements of the Company and AMR, respectively, prepared in accordance with accounting principles generally accepted in the United States as in effect from time to time.

Events Notification; Material Events Disclosure

Each of the Company and AMR covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "*MSRB*") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the Exchange Act. The "*Events*" are:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties (inapplicable to this transaction);

4. Unscheduled draws on credit enhancements reflecting financial difficulties (inapplicable to this transaction);

5. Substitution of credit or liquidity providers, or their failure to perform (inapplicable to this transaction);

6. Adverse tax opinions or events affecting the tax-exempt status of the security;

7. Modifications to the rights of security holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities; and

11. Rating changes.

Consequences of Failure of the Company or AMR to Provide Information

The Company or AMR, as applicable, is required to give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of

Annual Financial Information and Audited Financial Statements when the same is due under the Undertaking.

In the event of a failure of the Company or AMR to comply with any provision of the Undertaking, the beneficial owner of any Series 2002 Bond may seek specific performance by court order, to cause the Company or AMR to make such filings. The beneficial owners of 25% or more in principal amount of the outstanding Series 2002 Bonds may challenge the adequacy of the information provided under the Undertaking and seek specific performance by court order to cause the Company or AMR to provide the information required by the Undertaking. A default under the Undertaking will not be deemed an Event of Default under the IDA Lease Agreement, the Indenture or the Guaranties, and the sole remedy under the Undertaking in the event of any failure of the Company or AMR to comply with the Undertaking is an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Company and AMR may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment or the waiver is 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 the Company or AMR or a change in the type of business conducted by the Company;

(b) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; or

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2002 Bonds, as determined either by parties unaffiliated with the Company or AMR (such as Bond Counsel), or by an approving vote of the Bondholders of each series pursuant to the terms of the Indenture at the time of the amendment.

Termination of Undertaking

The Undertaking will terminate as to the Company or AMR if the Company or AMR, as the case may be, no longer has any legal liability for any obligation on or relating to repayment of the Series 2002 Bonds under the Indenture, the IDA Lease Agreement or the Guaranties. The Company or AMR, as the case may be, is required to give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this paragraph is applicable.

Neither the Company nor AMR has any obligation to provide continuing disclosure pursuant to the Undertaking with respect to a series of Series 2002 Bonds that bear interest at an interest rate other than a Long-Term Interest Rate. The Undertaking terminates with respect to a

series of the Series 2002 Bonds that bear interest at rates other than a Long-Term Interest Rate but must be reinstated, or a new continuing disclosure undertaking must be entered into, in connection with any subsequent adjustment of the interest rate on that series of the Series 2002 Bonds to a Long-Term Interest Rate, if required by law at such time.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Company or AMR, as the case may be, from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the Company or AMR, as the case may be, chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the Company or AMR, as the case may be, shall not have any obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.

Dissemination Agent

The Company or AMR may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its respective obligations under the Undertaking and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the validity of the Series 2002 Bonds and with regard to the exclusion of interest on the Series 2002 Bonds from federal income taxation under existing law and regulations are subject to the approval of Winston & Strawn, New York, New York, Bond Counsel, and the Underwriters' obligation to purchase the Series 2002 Bonds is subject to the issuance of such opinion. A proposed form of such opinion is attached to this Official Statement as Appendix I. Legal matters pertaining to the Agency will be passed upon by Richard E. Marshall, Vice President for Legal Affairs. Certain legal matters will be passed upon for the Company and AMR by Anne H. McNamara, Senior Vice President and General Counsel of the Company and AMR. Certain legal matters will be passed upon for the Underwriters by their counsel, Chapman and Cutler, Chicago, Illinois.

MISCELLANEOUS

The foregoing summaries and the summaries contained in Appendices C, D, E, F, G and H do not purport to be complete and are expressly made subject to the exact provisions of the applicable documents. For details of all terms and conditions, reference is made to the IDA Lease Agreement, the Company Sublease, the Indenture, the Guaranties, the Equipment Security Agreement, the Port Authority Lease, the Port Authority Consent, the form of Leasehold Mortgage attached to the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement, copies of which may be obtained from the Underwriters

during the initial offering at the principal office of the Underwriters and, after the initial delivery of the Series 2002 Bonds, at the principal corporate trust office of the Trustee in New York, New York. Information concerning the Company and AMR is contained or incorporated by reference in Appendix A to this Official Statement. The Gate Demand Study prepared by Simat, Helliesen & Eichner, Inc. at the request of the Company is contained in Appendix J to this Official Statement. The assumptions, finding and opinions contained in the Gate Demand Study have not been adopted by, and do not necessarily represent the opinions or views of, the Agency or the Company.

The use of this Official Statement has been duly authorized by the Agency.

APPENDIX A

AMERICAN AIRLINES, INC.
AND
AMR CORPORATION

The information contained in this Appendix A to this Official Statement relates to and has been supplied by American Airlines, Inc. and AMR Corporation. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of American Airlines, Inc. or AMR Corporation since the date hereof or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

AMERICAN AIRLINES, INC.
AND
AMR CORPORATION

Statement of Available Information

Each of American Airlines, Inc. (*"American"*) and AMR Corporation (*"AMR"*) is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the *"Exchange Act"*), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the *"Commission"*). These filings are available to the public over the Internet at the Commission's web site at http://www.sec.gov. A prospective purchaser can call the Commission at 1-800-SEC-0330 for further information on the public reference rooms and copy charges. Reports, proxy statements and other information filed by American and AMR can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Copies of such material can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Incorporation of Certain Documents by Reference

The following documents have been filed with the Commission and are incorporated herein by reference:

1. American's and AMR's Annual Reports on Form 10-K for the year ended December 31, 2001;

2. American's and AMR's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2002;

3. American's Current Reports on Form 8-K filed with the Commission on January 16, 2002 , June 13, 2002 and June 19, 2002; and

4. AMR's Current Reports on Form 8-K filed with the Commission on January 16, 2002, June 13, 2002 and June 19, 2002.

All documents filed by American or AMR pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby are deemed to be incorporated by reference into this Official Statement and to be part hereof from the date of filing of any such document. Any statement contained in a document incorporated or deemed to be incorporated by reference herein is deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded may not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

American will provide a copy of these filings (other than their exhibits, unless those exhibits are specifically incorporated by reference in the filings) at no cost by writing or telephoning American at the following address:

Corporate Secretary
American Airlines, Inc.
P.O. Box 619616
Mail Drop 5675
Dallas/Fort Worth Airport, Texas 75261-9616
(817) 963-1234

Persons receiving this Official Statement should rely only on the information incorporated by reference or provided in this Official Statement or any applicable Official Statement Supplement. Neither American nor AMR has authorized anyone to provide prospective purchasers with different information. If anyone provides different or inconsistent information, it should not be relied upon.

Certain Other Information

On January 25, 2002, February 22, 2002, March 22, 2002 and May 31, 2002 AMR furnished to the Commission certain actual and forecasted information, including information regarding American's unit costs, capacity, traffic, fuel costs and fuel consumption, pursuant to Item 9 of Form 8-K in accordance with the guidelines set forth in Regulation FD adopted by the Commission. American expects that AMR will continue to furnish similar information to the Commission on a regular basis during the second half of each month, other than months in which AMR issues a quarterly earnings release, and that in addition AMR may from time to time furnish other information, including but not limited to information with respect to fleet plans and revenue estimates, as it deems appropriate; *provided, however,* AMR shall have no obligation to furnish such information to the Commission.

On January 25, 2002, February 22, 2002, March 22, 2002 and May 31, 2002 American furnished to the Commission certain actual and forecasted information, including information regarding American's unit costs, capacity, traffic, fuel costs, fuel consumption and fleet plans, pursuant to Item 9 of Form 8-K in accordance with the guidelines set forth in Regulation FD adopted by the Commission. American expects that it will continue to furnish similar information to the Commission, including but not limited to information with respect to fleet plans and revenue estimates, as it deems appropriate; *provided, however,* American shall have no obligation to furnish such information to the Commission.

American will provide a copy of Forms 8-K furnished as described above at no cost upon request. Requests may be made by writing or telephoning American at the following address:

Corporate Secretary
American Airlines, Inc.
P.O. Box 619616
Mail Drop 5675
Dallas/Fort Worth Airport, Texas 75261-9616
(817) 963-1234

APPENDIX B

CERTAIN DEFINITIONS

"Accounts" or *"Subaccounts"* means those accounts or subaccounts established pursuant to the Indenture and any accounts or subaccounts established pursuant to any Series Supplemental Indenture.

"Act" has the meaning set forth herein under "THE AGENCY."

"Act of Bankruptcy" means the commencement of a bankruptcy or similar proceeding by or against the Company or AMR, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for the Company or AMR or a substantial part of the assets of the Company or AMR, commencing any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for the Company or AMR or any substantial part of any of the properties of the Company or AMR.

"Additional Bonds" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Affiliate" means any Person under common control with the Company. "Control" (including the related term "under common control with") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

"Agency" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Agency's Reserved Rights" means, collectively,

(i) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the IDA Lease Agreement;

(ii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the IDA Lease Agreement;

(iii) the right of the Agency to enforce in its own behalf the obligation of the Company to complete the Project;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the Company with respect to ensuring that the Facility will always constitute a qualified "project" as defined in and as contemplated by the Act;

(v) the right of the Agency in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under the IDA Lease Agreement relating to: sales and use tax exemptions; the leasing of the Facility; taxes; assessments and charges; insurance; advances made by the Agency; compliance with laws; restrictions imposed upon the Company with respect to dissolution and merger; indemnity; payment by the Company of the compensation and expenses of the Agency; certain filings of the Company of its Form 10-K and compliance and default certificates; the furnishing of security by the Company in the event of its contest of any liens; the condition or suitability of the Facility; the compliance by the Company with certain laws and guidelines relating to non-discrimination of employees; the enforcement of the redemption provision described herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project*"; further assurances with respect to the perfection of the interests and rights granted to the Agency under the IDA Lease Agreement, the Indenture and the Leasehold Mortgage; current descriptions of the Facility; the filing of Uniform Commercial Code financing statements; certain covenants made by the Company with respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease; the agreement by the Company to pay attorneys' fees and expenses of the Agency upon default; certain options with respect to the substitution and sale of Facility Equipment; the assignment of the IDA Lease Agreement or the subletting of the Facility; inspection of the Facility; the intention that the IDA Lease Agreement be a "net lease"; the waiver of a jury trial; and the consent to the Leasehold Mortgage; and

(vi) the right of the Agency in its own behalf to declare an Event of Default under the IDA Lease Agreement or with respect to any of the Agency's Reserved Rights subject to the limitations contained therein.

"*Agreement Towards Entering Into a Lease*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Airport*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*AMR*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*AMR Guaranty*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Authorized Representative*" means, (i) in the case of the Agency, the Chairman, Vice Chairman, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Executive Director or Deputy Executive Director of the Agency, or any officer or employee of the Agency authorized

to perform specific acts or to discharge specific duties, (ii) in the case of the Company, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by the Company to act on behalf of the Company by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of the Company and delivered to the other parties, and (iii) in the case of AMR, its President, Treasurer, Executive Vice President, Senior Vice President, Vice President, Managing Director or any other person designated by AMR to act on behalf of AMR by a written certificate, containing a specimen signature of such person, which is duly executed on behalf of AMR and delivered to the other parties.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

"Bankruptcy Rejection Date" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"Basic Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Beneficial Owner" has the meaning set forth herein under "THE SERIES 2002 BONDS—Book-Entry-Only System."

"Bond Counsel" means Winston & Strawn or any other nationally recognized attorney or firm of attorneys experienced in matters relating to municipal bond law and the tax exemption of interest on bonds of states and their political subdivisions, as selected by the Agency.

"Bond Fund" means the Bond Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Creation of Funds and Accounts*," "—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Bond Interest Term Rate" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established periodically in accordance with the Indenture.

"Bond Purchase Fund" means any Bond Purchase Fund created for a series of Bonds under a Series Supplemental Indenture, which Fund will be held by the applicable Tender Agent and be used with respect to the tender and remarketing of Bonds.

"Bond Registrar" means the Trustee, acting as registrar for the Bonds as provided in the Indenture.

"Bondholder," "Holder of the Bonds," "Holder" or *"holder"* means any Person who is the registered owner of any Bonds or Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner, references to "Bondholders" or "registered owners" herein mean Cede & Co., and not the Beneficial Owners of the Series 2002 Bonds. See "THE SERIES 2002 BONDS—Book-Entry-Only System."

"Bonds" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Bonds Default" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"Book-Entry-Only System" has the meaning set forth herein under "THE SERIES 2002 BONDS—Book-Entry-Only System."

"Business Day" means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

"Capitalized Interest Account" means any special trust Account of the Project Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund.*"

"City" means The City of New York.

"City Approved Successor Lessee" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Remedies; Termination by the City.*

"City Attornment Agreement" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Civil Aircraft Operator" (as used herein in the definition of Scheduled Aircraft Operator) means a Person engaged in civil transportation by aircraft or otherwise operating aircraft for civilian purposes, whether governmental or private. If any such Person is also engaged in the operation of aircraft for military, naval or air force purposes, he or she will be deemed to be a Civil Aircraft Operator only to the extent that he or she engages in the operation of aircraft for civilian purposes.

"Code" has the meaning set forth herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability.*"

"Company" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Company Guaranty" has the meaning set forth under "INTRODUCTORY STATEMENT."

"Company Sublease" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Construction Account" means any special trust Account of the Project Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund*."

"Controlled Entity" means any Person, more than 50% of the voting stock or equity interest of which is owned by any obligor under any of the Security Documents (other than the Agency) or by another Controlled Entity of any such obligor.

"Credit Facility" means an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit, municipal bond insurance policy or other agreement or arrangement used to provide liquidity and/or credit support for a series of Bonds, containing administrative provisions reasonably satisfactory to the Trustee or the provider of any policy of municipal bond insurance then insuring such series of Bonds and issued and delivered to the Trustee in accordance with the Indenture. No Credit Facility is being provided with respect to any series of the Series 2002 Bonds.

"Credit Facility Agreement" means any agreement to provide credit support or liquidity with respect to a series of Bonds between the Credit Facility Provider and the Company. There is no Credit Facility and no Credit Facility Agreement with respect to any series of the Series 2002 Bonds.

"Credit Facility Provider" means the issuer of any Credit Facility and any successors thereto. There is no Credit Facility and no Credit Facility Provider with respect to any series of the Series 2002 Bonds.

"Daily Interest Rate" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

"Deferred Reletting Fee" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Obligations of Qualifying Replacement Tenant; Qualification Standards.*"

"Determination of Taxability" has the meaning set forth herein under "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Occurrence of a Determination of Taxability.*"

"Eligible Affiliate" means any Person controlled by the Company. "Control" (including the related term "controlled by") of a Person will exist only when the following criteria are met: (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and (ii) the ownership, either directly or indirectly, of more than 50% of the voting stock or other equity or ownership interest of such Person.

"Eligible Personalty" means machinery, equipment, furniture, fixtures, apparatus and other items of tangible personal property, the acquisition of which is characterized (whether or

not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board, as a capital expenditure, to be used by the Company, the Affiliates, and the Eligible Affiliates at the Leased Facilities for the Project but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and objets d'art.

"Equipment Security Agreement" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Event of Default" with respect to any default under the IDA Lease Agreement, has the meaning set forth herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Events of Default; Remedies—*Events of Default*" and, with respect to any default under the Indenture, has the meaning set forth herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Events of Default; Acceleration of Due Date.*"

"Extended Basic Lease" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent.*"

"Facility" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means, collectively, the Leased Facilities and the Facility Equipment.

"Facility Equipment" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means such items of machinery, equipment, furniture, fixtures, furnishings, apparatus and other items of tangible personal property the acquisition of which is undertaken by use of the Sales Tax Letter and the acquisition of which is characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a capital expenditure, to be used at the Leased Facilities for the Project by the Company, the Affiliates, and the Eligible Affiliates, but excluding rolling stock, ordinary office supplies such as pencils, paper clips and paper and decorative items such as fine art, plants and other objets d'art. Facility Equipment includes all property substituted for or replacing items of Facility Equipment in accordance with the provisions of the IDA Lease Agreement, and excludes all items of Facility Equipment so substituted for or replaced.

"Facility Improvement Materials" means construction materials, building materials, building supplies, and other tangible personal property which are used, depleted or consumed by the Company exclusively for the Project.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Agency, the Company and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of New York and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Financed Property" means those items of Project Costs, Facility Equipment, Leased Personalty, Tenant Improvements and Facility Improvement Materials financed in whole or in part with the proceeds of the Bonds.

"Financing Documents" means the Company Sublease, the IDA Lease Agreement, the Indenture, resolutions adopted by the Agency authorizing the issuance of the Series 2002 Bonds, any resolutions adopted by the Agency in connection with the issuance and sale of Additional Bonds, the Leasehold Mortgage, the Guaranties, the Agreement Towards Entering Into a Lease, and the City Attornment Agreement; and *provided further*, the term *"Financing Document"* does not mean the Basic Lease, the Port Authority Lease or the Port Authority Consent.

"Foreclosure Payment Account" means any special trust Account of the Mortgage Reserve Fund so designated and as described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure —Foreclosure Period Payments.*"

"Foreclosure Payment Account Requirement" means $18,600,000.

"Foreclosure Period" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Proceedings and Removal of the Company.*"

"Funds" means those Funds established pursuant to the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Creation of Funds and Accounts*" and any Funds established pursuant to any Series Supplemental Indenture.

"General Airport Agreement" means that certain agreement and lease of premises entitled "John F. Kennedy International Airport Airline Lease," dated as of January 1, 1953 (as the same may have been supplemented, amended and extended) and bearing Port Authority file number designation AY-351 which governs the rights, privileges, duties and obligations of and between the Port Authority and the Company with respect to the Airport.

"Government Obligations" means (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody's and S&P or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above,

the full and timely payment of which securities, receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States.

"Guarantor" means each of the Company and AMR and their respective successors and assigns under the Guaranties.

"Guaranties" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"IDA Lease Agreement" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"IDA Lease Amendment" means any amendment to the IDA Lease Agreement entered into by and between the Company and the Agency pursuant to the IDA Lease Agreement and the Indenture in conjunction with the issuance of a series of Additional Bonds or otherwise.

"Indenture" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Interest Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Interest Payment Date" has the meaning set forth herein under "THE SERIES 2002 BONDS—General."

"*Lease Assignment/Assumption and Consent Agreement*" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*"

"Lease Assignment/Assumption Commencement Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Qualifying Replacement Tenant.*"

"Lease Default" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage.*"

"Lease Payments Fund" means the Lease Payments Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Lease Payments Fund.*"

"Leased Facilities" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means those certain facilities, structures, buildings, fixtures and improvements, exclusive of Facility Equipment, as will constitute a new air passenger terminal together with related arrival and departure access ramps and a passenger tunnel connecting Concourse C to the main terminal to be located at the premises in the vicinity of Terminals 8 and 9 at the Airport, all as described in the Description of Leased Facilities in Exhibit B to the IDA

Lease Agreement, together with any extensions, substitutions, repairs or additions thereto. The Leased Facilities do not include the land underlying the Facility.

"*Leased Personalty*" means one or more items of tangible personal property, in which the Agency acquires a leasehold interest under a Qualified Personalty Lease in accordance with the IDA Lease Agreement, to be used exclusively for the Project by the Company, the Affiliates, and the Eligible Affiliates. Leased Personalty does not include rolling stock. Notwithstanding the foregoing definition, Facility Equipment, Facility Improvement Materials and Eligible Personalty incorporated into or installed at the Leased Facilities in accordance with the Port Authority Lease will not constitute and will not be deemed to constitute Leased Personalty by virtue of the provisions of the Port Authority Lease.

"*Leasehold Mortgage*" has the meaning set forth herein under "INTRODUCTORY STATEMENT." All references to the Leasehold Mortgage herein are qualified by the fact that the Leasehold Mortgage will not be effective, the lien created by the Leasehold Mortgage will not attach, the Leasehold Mortgagee will not have the rights under the Leasehold Mortgage, the Leasehold Mortgage will not be dated, executed, delivered or recorded and the Reletting Rights will not be exercisable until the Reletting Rights Effective Date.

"*Leasehold Mortgage Default*" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Foreclosure of Leasehold Mortgage*."

"*Leasehold Mortgagee*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Legal Requirements*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Maintenance, Taxes and Insurance—*Compliance with Law*."

"*Lessee's Property*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Maintenance, Taxes and Insurance—*Maintenance, Alterations and Improvements*."

"*Loss Event*" has the meaning set forth herein in APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Damage, Destruction and Condemnation."

"*Long-Term Interest Rate*" means, with respect to each series of Bonds, a term, non-variable interest rate on such series of Bonds established in accordance with the Indenture.

"*Maintenance Contracts*" means contracts entered into by the Company as agent for the Agency for the maintenance, service or repair of Eligible Personalty or Leased Personalty used at the Leased Facilities by the Company, the Affiliates, and the Eligible Affiliates, exclusively for the Project, solely to the extent such contracts encompass Qualified Maintenance.

"*Major Release*" has the meaning set forth herein under APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property.*"

"*Master Indenture*" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"*Maximum Port Authority Lease Expiration Date*" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Conditions Precedent.*"

"*Minor Release*" has the meaning set forth herein under APPENDIX G—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY CONSENT AND THE LEASEHOLD MORTGAGE—Summary of Certain Provisions of the Leasehold Mortgage—*Release of Part of Mortgaged Property.*"

"*Moody's*" mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and its and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Company and the Trustee.

"*Mortgage Amount*" means the amount equal to the lesser of (i) the principal amount of Bonds issued, determined without taking into account any prepayments, redemptions or refundings made pursuant to any of the Financing Documents, and (ii) $2,300,000,000.00.

"*Mortgage Reserve Fund*" means the Mortgage Reserve Fund established pursuant to the Indenture and described herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions Precedent to Foreclosure—Foreclosure Period Payments.*"

"*Mortgagee Rights Period*" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Events of Default.*"

"*Net Proceeds*" means, with respect to a particular series of Bonds, the "net proceeds" of such Bonds, as such term is used in Section 142(a) of the Code and applicable Treasury Regulations.

"*New Basic Lease*" means a lease entered into by the City or its designee for the Airport commencing upon the date on which the Port Authority surrenders possession of the Airport to the City following the expiration or earlier termination of the Basic Lease (inclusive of any renewal or extension including any permitted holdover thereof). In order to be effective to extend the term of the Company Sublease as set forth in Article II of the Company Sublease, the

lessor under any such New Basic Lease must expressly agree for the benefit of the Agency, the Trustee and the Holders of the Bonds that the Company Sublease and the IDA Lease Agreement will continue in full force and effect for the remainder of the respective terms thereof and the respective rights of the Company and the Agency will continue in full force and effect thereunder. In the event a New Basic Lease is executed and delivered, all references in the IDA Lease Agreement and the other Security Documents to the Basic Lease will be deemed to mean and refer to such New Basic Lease.

"New City/American Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Nonapproved Successor Lessee Event" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the Agreement Towards Entering Into a Lease—*Events of Default.*"

"Nonqualified Cost" means the Project Costs paid pursuant to the Indenture which are not Qualified Costs.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in the IDA Lease Agreement or any other Security Document) be counsel for the Company, AMR or the Agency and who is reasonably acceptable to the Trustee.

"*Outstanding*" when used with reference to a Bond or series of Bonds, as of any particular date or series, means all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds canceled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in any Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) noncallable Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as are necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable redemption price of such Bond (or portion thereof), together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date will be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Government Obligations to such payment on the date so specified, *provided* that, if such Bond (or portion thereof) is to be redeemed, notice of such redemption must have been given as

provided in the Indenture or provision satisfactory to the Trustee must have been made for the giving of such notice; and

(iii) Bonds paid pursuant to the Indenture and Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture,

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, any Bond or Bonds owned by the Company or any Affiliate of the Company will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a responsible officer of the Trustee actually knows to be so owned will be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Bonds and that the pledgee is not the Company or any Affiliate or Controlled Entity of the Company.

"Paying Agent" means any paying agent for any series of Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

"Permitted Encumbrances" means, as of any particular time,

(i) the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the Basic Lease, the Port Authority Lease, the Company Sublease, the Leasehold Mortgage, the IDA Lease Agreement as amended, the Equipment Security Agreement, the Indenture as supplemented and amended and any other Security Documents;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default;

(iii) utility, access and other easements and rights of way, restrictions and exceptions that an Authorized Representative of the Company certifies to the Agency and the Trustee will not interfere with or impair the Company's use of the Facility as provided in the IDA Lease Agreement;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, in the Opinion of Counsel, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and held by the Agency under the IDA Lease Agreement;

(v) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if

payment is not yet due and payable, all if and to the extent permitted by the IDA Lease Agreement;

(vi) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee or to which the Trustee consents;

(vii) any liens, security interests or other encumbrances created by the City or the Port Authority resulting from the acts or failure to act of the City or the Port Authority;

(viii) any lien, security interest or other encumbrance on any property or interests other than the interests of the Agency or the Company in the Company Sublease or the interests of the Agency, the Company or the Trustee in the IDA Lease Agreement or in amounts payable thereunder; and

(ix) subleases of the Facility permitted under the IDA Lease Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Port Authority" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Port Authority Consent" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Port Authority Lease" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and further means the Agreement of Lease entered into as of August 1, 1976 bearing Port Authority Agreement number AYB-085 as amended and supplemented, and as further amended, supplemented, and restated in an Amended and Restated Lease (No. AYB-085R), dated as of December 22, 2000, between the Port Authority and the Company, as the same may now or hereafter be amended, modified or supplemented from time to time. The term "Port Authority Lease" means and includes the foregoing agreement during any period when the City has become lessor under the Port Authority Lease in accordance with the provisions of the City Attornment Agreement.

"Possessory Rights and Remedies" means without limitation any possessory rights and remedies, such as, but not limited to, any rights to appointment of a receiver, any rights of entry, re-entry, redemption, eviction, possession, regaining or resumption of assigning, letting, re-sub-letting, or any similar rights with respect to the possession, sale, conveyance, transferring, mortgaging, pledging, assigning or re-subletting of the Facility.

"Preliminary Sales Tax Letter" means the Preliminary Sales Tax Letter of the Agency.

"Premises" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Primary Term" has the meaning set forth herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Allocation of Rent.*"

"Principal Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Prohibited Person" means (i) any Person (A) that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that is in default or in breach, beyond any applicable grace period, of its obligations under any written agreement with the Agency or the City, unless, in either case, such default or breach has been waived in writing by the Agency or the City, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude (other than, with respect to the Company or AMR, the felony conviction of the AMR arising out of *United States of America v. AMR Corporation,* United States District Court, Southern District of Florida, Miami Division, Case No. 99-00902-CR-HIGHSMITH) or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by, or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

"Project" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and also means solely with respect to the Redevelopment Work, the demolition of Terminals 8 and 9 at the Airport, the construction, acquisition, installation and equipping of the Facility by the Company, and the acquisition, construction, installation and equipping by the Company from time to time at the Leased Facilities of the Tenant Improvements, the Facility Improvement Materials, Facility Equipment, Leased Personalty and Maintenance Contracts, all for use by the Company, Affiliates and Eligible Affiliates solely for the construction, acquisition, installation and equipping of the Facility.

"Project Costs" means:

(i) all costs of engineering, architectural, construction and project management services with respect to the Project, including the cost of test borings, surveys, estimates, plans and specifications and for supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of, and the making of alterations, renovations, additions and improvements in connection with the completion of, the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies, machinery, equipment and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project construction;

(iv) all costs paid or incurred in connection with the acquisition of the Leased Facilities or the Company's interest in the Leased Facilities;

(v) the fees and expenses of the Trustee, each Remarketing Agent, if any, and each Tender Agent, if any, paid during any period of construction of the Project provided such payments are capable of being characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as capital expenditures;

(vi) the interest on Bonds of a series (or other indebtedness incurred by the Company for the construction of the Project) for the time specified in any Series Supplemental Indenture authorizing the issuance of a series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture;

(vii) all costs which the Company is required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to reimburse the Company for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project;

(viii) all fees and charges of the Port Authority which the Company is required to pay under the Port Authority Lease for (a) the review and approval of the plans and specifications relating to the Project, (b) obtaining the required permits and approvals under such plans and specifications for the construction and completion of the Project, (c) inspecting and/or supervising construction of the Project, and (d) reimbursement of other costs incurred in connection with the construction of the Project and related facilities;

(ix) subject to the limitations contained in the IDA Lease Agreement that the salary or other compensation paid to the officers or employees of the Company for work done by such officers or employees in connection with the Project will be included as a Project Cost only to the extent that such Persons were specifically employed for such particular purpose, such salary or other compensation does not exceed the actual cost thereof and would, if such Project Cost had been undertaken by the Company, be treated on the books of the Company as a capital expenditure in conformity with generally accepted accounting principles applied on a consistent basis, expenses for supervision by the officers or employees of the Company and expenses for work done by such officers or employees in connection with the Project;

(x) all other costs and expenses relating to the completion of the Project or the issuance of a series of Bonds including soft costs; and

(xi) costs of issuance.

"Project Fund" means the Project Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Project Fund*."

"Qualified Costs" means the cost of exempt facilities, including facilities functionally related and subordinated thereto, as set forth in the Code.

"Qualified Financial Institution" means a bank or other financial services corporation or institution, a trust company, a national banking association (including the Trustee or its affiliates), a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (or an entity which owns a majority equity interest in such a government bond dealer) (a) in each case whose long term unsecured debt or whose claims paying ability is rated in either of the three highest Rating Categories (without qualification by symbols "+" or "-" or a numerical notation) by S&P or Moody's or whose debt is unconditionally guaranteed by a corporation whose long-term unsecured debt or whose claims paying ability is rated in one of such categories and (b) in each case whose short-term unsecured debt paying ability is rated as least A-1 by S&P and P-1 by Moody's, or whose debt is unconditionally guaranteed by a corporation whose short-term unsecured debt or whose claims-paying ability is rated in one of such categories.

"Qualified Investments" means, to the extent permitted by applicable law, the following:

(i) Government Obligations.

(ii) Commercial paper, rated at least P-1 by Moody's and at least A-1 by S&P, issued by a corporation or banking institution organized under the laws of the United States of America or any state thereof.

(iii) Direct and general long-term obligations of any state of the United States of America to which the full faith and credit of the state is pledged and which are rated in either of the two highest Rating Categories by Moody's and S&P.

(iv) Direct and general short-term obligations of any state of the United States to which the full faith and credit of the state is pledged and which are rated in the highest Rating Category by Moody's and S&P.

(v) Interest bearing demand or time deposits with or certificates of deposit issued by a national banking association or a state bank or trust company which is a member of the Federal Deposit Insurance Corporation (*"FDIC"*) which are

(a) continuously and fully insured by the FDIC, or (b) with a bank which has outstanding debt, or which is a subsidiary of a holding company which has outstanding debt, rated in either of the two highest rating categories by Moody's and S&P or (c) continuously and fully secured by obligations of the type described in (i) and (ii) above which have a market value at all times at least equal to the principal amount of the deposit and which are held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee.

(vi) Money market mutual funds with assets in excess of $2,000,000,000 investing in Government Obligations.

(vii) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee or its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Governmental Obligations.

(viii) Investment agreements for the investment of moneys held by the Trustee pursuant to the Indenture with a Qualified Financial Institution.

(ix) Asset backed securities rated Aaa by Moody's or AAA by S&P.

(x) Corporate medium term notes having a long term rating of A2 or above from Moody's or A or above from S&P or having a short term rating of A-1 or above from Moody's or P-1 or above from S&P.

"Qualified Maintenance" means, with respect to any item of Eligible Personalty or Leased Personalty, the acquisition or leasing of which would be characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital expenditure," the replacement of parts (other than parts that contain materials or substances that are consumed in the operation of such property (*e.g.*, a toner cartridge) where such parts must be replaced whenever the substance is consumed) or the making of repairs, but does not include maintenance of the type constituting janitorial services.

"Qualified Mortgage" has the meaning set forth herein in APPENDIX H—"SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT TOWARDS ENTERING INTO A LEASE AND THE CITY ATTORNMENT AGREEMENT—Summary of Certain Provisions of the City Attornment Agreement."

"Qualified Personalty Lease" means the IDA Lease Agreement and any lease of one or more items of Leased Personalty to the Company on behalf of and as agent for the Agency, (1) which lease would be characterized (whether or not so characterized by the Company) in accordance with Accounting Standards of the Financial Accounting Standards Board as a "capital lease," or (2) pursuant to which an option to purchase the subject property of such lease is granted thereunder by the lessor.

"Qualifying Replacement Tenant" means a major domestic or international Scheduled Aircraft Operator, or a consortium of such major domestic or international Scheduled Aircraft Operators each of which would be jointly and severally obligated to the Port Authority with respect to all of the consortium's obligations under the Port Authority Lease, who each meet all of the requirements set forth in Section 92, including but not limited to the entering into with the Port Authority of the Lease Assignment/Assumption and Consent Agreement, and thereby become the assignee/purchaser of the Port Authority Lease with respect to the Premises resulting from the exercise by the Leasehold Mortgagee of its Reletting Rights, whether by foreclosure and sale or by assignment in lieu of foreclosure.

"Rating Agency" means S&P if S&P is then rating the Bonds and Moody's if Moody's is then rating the Bonds, and such other nationally recognized securities rating agency, if any, as shall then rating the Bonds.

"Rating Category" means one of the generic rating categories of the Rating Agencies without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rebate Fund" means the Rebate Fund created under the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Rebate Fund; Application of Rebate Fund.*"

"Record Date" has the meaning set forth herein under "THE SERIES 2002 BONDS—General."

"Redemption Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Payments into Bond Fund*" and "—*Application of Bond Fund.*"

"Redevelopment Work" means the design and construction of the "Passenger Terminal Work" (as described and defined in Section 2B(a) of the Port Authority Lease) and the "Off-Premises Work" (as described and defined in Section 2B(a) of the Port Authority Lease).

"Redevelopment Work Completion Date" means the date appearing on the certificate issued by the Port Authority pursuant to the Port Authority Lease after substantial completion of the Redevelopment Work.

"Release Price" means, at any time of the calculation thereof, the Outstanding principal amount of the Bonds multiplied by a fraction the numerator of which equals the total annual revenues attributable to the proposed Released Property and the denominator of which equals the total annual revenues attributable to the Leased Facilities prior to the release of such Released Property.

"Released Property" means the portions of the Leased Facilities which the Company, the Port Authority or, upon the effectiveness of the New/City American Lease, the City, have

released from the Leased Facilities as described herein under APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT—Particular Covenants—*Retention of Interest in the Facility.*"

"Reletting Election Notice" means the written notice required to be given by the Leasehold Mortgagee to the Port Authority pursuant to the Port Authority Lease affirmatively stating the Leasehold Mortgagee's election to (i) exercise its Reletting Rights thereunder and (ii) to exercise its rights under the Leasehold Mortgage to foreclose upon the Leasehold Mortgage or to have the Port Authority Lease with respect to the Premises assigned to a Qualifying Replacement Tenant in accordance with the provisions of the Port Authority Lease.

"Reletting Election Notice Service Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Foreclosure Obligations.*

"Reletting Election Period" has the meaning set forth herein in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Election to Exercise Reletting Rights.*"

"Reletting Rights" mean the rights of the Trustee as Leasehold Mortgagee with respect to the Premises and the Leasehold Mortgage to obtain a Qualifying Replacement Tenant during the Foreclosure Period as provided in Section 92, *provided, however,* no Reletting Rights will commence or be deemed to have commenced until on or after the Reletting Rights Effective Date, if any, and further will commence only if there is a Leasehold Mortgage, which has been properly dated, executed, delivered and recorded strictly in compliance with the terms and provisions of Section 92 and the Port Authority Consent, and will terminate as provided in Section 92, including without limitation, upon the termination or expiration of the Leasehold Mortgage in accordance with Section 92.

"Reletting Rights Effective Date" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

"Reletting Rights Effective Date Conditions" has the meaning set forth herein under "INTRODUCTORY STATEMENT" and in APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

"Required Conditions" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Conditions to Execution, Delivery and Recording of the Leasehold Mortgage.*"

"Reserve Fund Facility" means a surety bond, insurance policy, letter of credit or investment agreement (which investment agreement must be a Qualified Investment) which

constitutes any part of the Foreclosure Payment Account to be delivered to the Trustee pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and its and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the Agency by notice to the Trustee and the Company.

"Sales and Use Taxes" means New York State and local sales and/or compensating use taxes imposed pursuant to Sections 1105, 1107, 1108, 1109 and 1110 of the New York State Tax Law, as each of the same may be amended from time to time (including any successor provisions to such statutory sections).

"Sales Tax Letter" means that certain Sales Tax Letter of the Agency.

"Sales Tax Savings" means all exemptions of Sales and Use Taxes actually realized by the Company pursuant to the IDA Lease Agreement, the Sales Tax Letter and the Preliminary Sales Tax Letter. The term Sales Tax Savings does not include any exemption from Sales and Use Taxes realized by the Company other than (i) pursuant to the provisions of Article 18-A of the General Municipal Law or (ii) pursuant to the Agency's involvement in the Project.

"Scheduled Aircraft Operator" means a Civil Aircraft Operator engaged in transportation by aircraft operated wholly or in part on regular flights to and from the Airport in accordance with published schedules; but so long as the Federal Aviation Act of 1958, or any similar federal statute providing for the issuance of Foreign Air Carrier Permits or Certificates of Public Convenience and Necessity or substantially similar permits or certificates, is in effect, no Person will be deemed to be a Scheduled Aircraft Operator unless it also holds such a permit or certificate.

"Section 92" means Section 92 of the Port Authority Lease entitled "Reletting Rights-Leasehold Mortgagee," which section authorizes the Leasehold Mortgage and provides for the Reletting Rights of the Trustee, as Leasehold Mortgagee, thereunder.

"Section 92(d) Provisions" has the meaning set forth herein under "SECURITY FOR THE BONDS—Leasehold Mortgage and Reletting—*Execution, Delivery and Recording of the Leasehold Mortgage After Reletting Rights Effective Date.*"

"Security Documents" means, with respect to all Bonds, the Equipment Security Agreement, the Company Sublease, the IDA Lease Agreement, the Guaranties, the Indenture, the Agreement Towards Entering Into a Lease, the City Attornment Agreement and the Leasehold Mortgage and, with respect to a particular series of Bonds, the applicable Tax Certificate, and any and all other documents or instruments delivered to the Trustee in connection with the provision of the security for such series of Bonds; *provided* that in no event will the Port

Authority Lease, the New City/American Lease or the Port Authority Consent be or be deemed to be Security Documents.

"Series 2002 Bonds" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Series Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture authorizing the issuance of a series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture.

"Sinking Fund Installment" means the amount required by the Indenture, if any, as payable on a single future date for the retirement of any Outstanding Bonds which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

"Sinking Fund Installment Account" means any special trust Account of the Bond Fund so designated and established pursuant to the Indenture and as described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Custody and Investment of Funds—*Lease Payments Fund*" and "—*Payments into Bond Fund.*"

"State" means the State of New York.

"Tax Certificate" means, with respect to a series of Bonds, any Tax Certificate As To Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, dated the date of original issuance of such series of Bonds, executed by Authorized Representatives of the Agency and the Company and delivered to the Agency, the Company and the Trustee, and will include any and all amendments thereof and supplements thereto thereafter made in conformity therewith and the Indenture.

"Tax-Exempt Bond (or Series of Tax-Exempt Bonds)" shall mean any Bond (or Series of Bonds) issued with the intent of the Agency, expressed in the Applicable Series Supplemental Indenture, that interest on such Bond (or on the Bonds of such Series) be excluded pursuant to Section 103 of the Code from the gross income of the owners thereof for federal income tax purposes.

"Tenant Improvements" means all improvements, renovations and upgrades to the Leased Facilities including the installation of Facility Improvement Materials relating thereto for use by the Company, the Affiliates, and the Eligible Affiliates solely for the purposes of the construction of the Project and for which Sales Tax Savings will have been taken pursuant to the IDA Lease Agreement and the Sales Tax Letter.

"Tender Agent" means, with respect to a series of Bonds, the initial and any successor tender agent appointed in accordance with the Series Supplemental Indenture authorizing the issuance of such series of Bonds and executed and delivered by the Agency and the Trustee in accordance with the Indenture.

"Triggering Events" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Termination by Port Authority."

"Trust Estate" means all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

"Trustee" has the meaning set forth herein under "INTRODUCTORY STATEMENT."

"Weekly Interest Rate" means, with respect to each series of Bonds, a variable interest rate on such series of Bonds established in accordance with the Indenture.

"Wrongful Recording of the Leasehold Mortgage" has the meaning set forth herein under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE IDA LEASE AGREEMENT

The following is a brief summary of certain provisions of the IDA Lease Agreement and does not purport to be comprehensive or complete. Reference is made to the IDA Lease Agreement for the complete provisions.

The Project

General. The Company warrants it is conveying to the Agency a valid leasehold interest in the Leased Facilities on or prior to delivery and payment for the Series 2002 Bonds and that it will convey to the Agency good legal title to items of the Facility Equipment (subject to any interests in title of the Port Authority or the City in such Facility Equipment) the costs of which are to be reimbursed with the proceeds of a series of Bonds, in each case free and clear of all liens, claims, charges, encumbrances, security interests and servitudes other than Permitted Encumbrances, all against payment therefor by the Agency from the proceeds of the Series 2002 Bonds deposited in the applicable Construction Account of the Project Fund to the extent permitted by the IDA Lease Agreement and the Indenture. The Agency and the Company agree that the leasehold interest conveyed to the Agency under the Company Sublease is subject to the Company Sublease, the Port Authority Consent, the Basic Lease and the Port Authority Lease.

As promptly as practicable after receipt of the proceeds of sale of any series of Bonds and out of said proceeds of sale and proceeds of sales of subsequent series of Bonds, the Company will, on behalf of the Agency, proceed with the Project through the acquisition and installation of Facility Improvement Materials, Facility Equipment, the leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities. The cost of the Project shall be paid from each Construction Account of the Project Fund established under the Indenture.

The Company covenants that it has obtained or will obtain or cause to be obtained all necessary approvals, consents, permits, authorization and licenses from any and all governmental agencies and appropriate authorities requisite to the effectuation by the Company of the Tenant Improvements and the acquisition of the Facility Improvement Materials, the Facility Equipment, Leased Personalty and Maintenance Contracts and the operation and use of the same and shall furnish copies of the same to the Agency promptly upon request by the Agency therefor, all of which will be done in compliance in all material respects with all federal, State and local laws, ordinances and regulations applicable thereto, and with the conditions and requirements of the Port Authority, the Basic Lease, the Port Authority Consent and the Port Authority Lease and all policies of insurance required to be maintained hereunder and under the Port Authority Lease with respect to the Leased Facilities. Upon completion of the Project, the Company will promptly obtain or cause to be obtained all required occupancy permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of the Facility for the purposes contemplated by the IDA Lease Agreement, except if such non-compliance shall not materially adversely affect the Agency, and

upon the written request of the Agency or the Trustee therefor, shall furnish copies of the same to the Agency and the Trustee.

Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent, and the Company Sublease, title to all said Facility Equipment and leasehold title to Facility Improvement Materials acquired as part of the Project shall vest in the Agency immediately upon the execution by the Company as agent for the Agency of a contract, lease, bill of sale, invoice or purchase order therefor and upon delivery to or installation at the Leased Facilities or payment therefor, whichever shall occur first. The Company shall take all action reasonably necessary to protect such title of the Agency in such Facility Improvement Materials and Facility Equipment against claims of any third parties.

Subject to any interest in title of the Port Authority or the City in Facility Improvement Materials and Facility Equipment installed as part of the Facility as Tenant Improvements, and exclusive of materials or equipment not constituting Financed Property, possession of which is conveyed to the Agency subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent and the Company Sublease, the Company shall, within a reasonable time after the acquisition of such Facility Improvement Materials and Facility Equipment by or on behalf of the Company, convey or cause to be conveyed to the Agency by bill(s) of sale with full warranties of title good title to any item of such Facility Improvement Materials or Facility Equipment which has not theretofore been conveyed to the Agency, free and clear of all liens, claims, charges, security interests and encumbrances other than Permitted Encumbrances. The Company shall take all action necessary to so vest title to such Facility Improvement Materials and Facility Equipment in the Agency and to protect such title against claims of any third parties.

The Company agrees that none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be located or used at any location other than at the Leased Facilities and none of the Facility Improvement Materials, Facility Equipment, Leased Personalty or Maintenance Contracts shall be acquired, leased or undertaken other than for the purposes of the Project, except as provided in the IDA Lease Agreement.

The Company covenants and agrees that, subject to the terms of the IDA Lease Agreement and the Indenture, it will complete the Project, or cause the Project to be completed, by August 31, 2010, and that such completion will be effected in accordance with the IDA Lease Agreement, the Company Lease, the Port Authority Lease and the Indenture. In the event moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Company shall pay that portion of such costs of the Project as may be in excess of its moneys therefor in the Project Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds issued for that purpose), nor shall the Company be entitled to any diminution of the rents payable or other payments to be made under the IDA Lease Agreement.

Sales and Use Tax Benefits. Any exemption from Sales and Use Taxes resulting from or occasioned by Agency's involvement with the Project shall be limited to the acquisition and installation of Facility Improvement Materials, Facility Equipment, the leasing of Leased Personalty, the entering into of Maintenance Contracts, the entering into of Qualified Personalty Leases and the making of Tenant Improvements to the Leased Facilities effected by or for the Company as agent for the Agency, it being the intent of the parties to the IDA Lease Agreement that no operating expenses of the Company and no purchase of equipment or other personal property other than Facility Equipment or Facility Improvement Materials shall be subject to an exemption from Sales and Use Taxes because of the Agency's involvement with the Project. The Company shall be entitled to Sales Tax Savings pursuant to the Sales Tax Letter and/or the IDA Lease Agreement in the maximum amount set forth in the Sales Tax Letter until the earliest of (i) August 31, 2010, (ii) the completion of the Project, (iii) the termination of the IDA Lease Agreement, (iv) receipt by the Company of notice from the Agency of the termination of the Sales Tax Letter, or (v) the termination of the Sales Tax Letter pursuant to the terms of the IDA Lease Agreement.

Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions

Issuance of Additional Bonds. The Agency and the Company recognize that under the provisions of and subject to the conditions set forth in the Indenture, the Agency is authorized to enter into Series Supplemental Indentures and issue one or more series of Additional Bonds for the purpose of paying Project Costs. If an Event of Default shall not exist under the IDA Lease Agreement, the Agency, in its sole discretion, will consider the issuance of Additional Bonds in a principal amount as is specified in a written request in accordance with the applicable provisions set forth in the Indenture. In conjunction with the issuance of each series of Additional Bonds pursuant to the Indenture, the Agency and the Company shall enter into an IDA Lease Amendment amending the IDA Lease Agreement providing, among other things, for the payment by the Company of such rentals as are necessary in order to pay the principal, redemption price, if applicable, purchase price of, and interest on such Additional Bonds and any other costs in connection therewith. The proceeds of sale of each series of Additional Bonds shall be deposited and applied in accordance with the Indenture. Any completion, repair, relocation, replacement, rebuilding, restoration, additions, extensions, improvements or substitutions financed by Additional Bonds shall become a part of the Facility and shall be included under the IDA Lease Agreement to the same extent as if originally included under the IDA Lease Agreement.

Lease of the Facility. Subject to the Basic Lease, the Port Authority has subleased the Leased Facilities to the Company pursuant to the Port Authority Lease, and the Company has, subject to the Basic Lease, the Port Authority Lease, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement, sub-subleased the Leased Facilities to the Agency pursuant to the Company Sublease. Pursuant to the IDA Lease Agreement, the Agency will sub-sub-sublease the Leased Facilities to the Company and the Company will sub-sub-sublease such Leased Facilities from the Agency, in each case subject to the Basic Lease, the Port Authority Lease, the Company Sublease, the Port Authority Consent, the Agreement Towards Entering Into a Lease and the City Attornment Agreement and the New City/American Lease (if then effective), and the Agency shall lease the Facility Equipment to the

Company and the Company shall lease the Facility Equipment from the Agency, for the term of and subject to the terms of the IDA Lease Agreement. The Company shall at all times during the term of the IDA Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a qualified "project" in accordance with the provisions of the Act, and in accordance with the Basic Lease, the Port Authority Lease, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement and the New City/American Lease (if then effective), and for the general purposes specified in the IDA Lease Agreement.

Duration of Term. The term of the IDA Lease Agreement shall commence on the date of execution and delivery of the IDA Lease Agreement and shall terminate on the termination of the Company Sublease unless terminated earlier pursuant to the terms of the IDA Lease Agreement.

Rental Provisions. The Company covenants to make rental payments which the Agency agrees shall be paid by the Company in immediately available funds directly to the Trustee on or prior to each Interest Payment Date, date of acceleration, principal payment date (whether principal is due by scheduled maturity, acceleration or otherwise) or redemption date for the Bonds for deposit in the Lease Payments Fund (to the extent amounts then on deposit in such Lease Payments Fund shall not be available and sufficient therefor) in an amount equal to the sum of (i) with respect to interest due and payable on the Bonds, an amount equal to the interest due and payable on the Bonds on such Interest Payment Date, principal payment date, redemption date or date of acceleration, (ii) the principal amount of the Bonds then Outstanding due on such Interest Payment Date, principal payment date or date of acceleration (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), (iii) the Sinking Fund Installments, if any, due on the Bonds on such Interest Payment Date, and (iv) the redemption price of the Bonds to be redeemed which will become due on such redemption date together with accrued interest to the date of redemption.

If the amount on deposit and available in the Lease Payments Fund is not sufficient to pay the principal of, Sinking Fund Installments for, redemption premium, if any, and interest on such Bonds when due (whether at maturity or by redemption or acceleration or otherwise as provided in the Indenture), the Company shall pay the amount of such deficiency in immediately available funds to the Trustee for deposit in the Lease Payments Fund and such payment shall constitute rental payments under the IDA Lease Agreement.

The Company further covenants to make rental payments which the Agency agrees shall be paid by the Company in immediately available funds directly to the applicable Tender Agent for deposit into the applicable Bond Purchase Fund on or prior to each Purchase Date for the Bonds in an amount equal to the purchase price for such Bonds tendered or deemed tendered for purchase.

As security for the payment of amounts due under the Guaranties, the Company shall grant a leasehold mortgage lien on and security interest in its leasehold interest under the Port Authority Lease. The lien of the Leasehold Mortgage will be superior to the lien on lease payments made under the IDA Lease Agreement and granted to the Trustee pursuant to the Indenture. Pursuant to the Indenture, the Agency will pledge and assign to the Trustee as

security for the Bonds all of the Agency's non-possessory right, title and interest in the IDA Lease Agreement (except for the Agency's Reserved Rights), including all rental payments under the IDA Lease Agreement, and in furtherance of said pledge the Agency will unconditionally assign such rental payments to the Trustee for deposit in the Lease Payments Fund and/or the applicable Bond Purchase Fund as the case may be in accordance with the Indenture. The Company consents to the pledge and assignment of the IDA Lease Agreement.

Allocation of Rent. The Agency and the Company acknowledge the intent of the Company, and the Company covenants that for federal income tax purposes the Leased Facilities and each unit of Facility Equipment financed or to be financed in whole or in part with proceeds of a series of Bonds are to be treated as property that is governmentally owned (within the meaning of Section 142(b) of the Code) and leased to the Company pursuant to the terms of the IDA Lease Agreement, the Port Authority Lease and the New City/American Lease (if then effective). Payments made pursuant to the IDA Lease Agreement entered into with respect to such property are to be characterized as rental payments (or interest in respect of deferral or acceleration of rental payments) in respect of the right to possession of such property conveyed to the Company thereby.

Ownership of the Facility Equipment. It is the intent of the parties to the IDA Lease Agreement that for federal income tax purposes, the Agency will be treated as the owner and lessor of the Facility Equipment not deemed owned by the Port Authority or the City under the Port Authority Lease, the Basic Lease or the New City/American Lease (if then effective) (the *"IDA Equipment"*). The parties to the IDA Lease Agreement thereby agree that neither the Agency, nor any person controlled by, in control of, or under common control with the Agency or the Company, directly or indirectly, will at any time take any action or file any return or other document that is inconsistent with the foregoing assumption.

Notwithstanding any other provision of the IDA Lease Agreement to the contrary, except as provided in the IDA Lease Agreement and described herein under "—Options—*Port Authority Right to Purchase Facility*," upon expiration of the duration of the term of the IDA Lease Agreement, all remaining IDA Equipment shall be transferred by the IDA to the City or the designee of the City.

Obligation of Company Unconditional. The obligation of the Company to pay the rent and all other payments provided for in the IDA Lease Agreement as amended by any IDA Lease Amendments and to maintain the Facility in accordance with the IDA Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Port Authority, the City, the Trustee or the Holder of any Bond, and the obligation of the Company shall arise whether or not the Project has been completed as provided in the IDA Lease Agreement, whether or not the Company's rental payments are or become subject to any lien, and whether or not the Basic Lease, the Port Authority Lease or the New City/American Lease shall have been terminated or expired. The Company will not suspend or discontinue any such payment or terminate the IDA Lease Agreement (other than such termination as is provided for thereunder) for any cause whatsoever, and the Company waives all rights now or hereafter conferred by statute or otherwise to quit,

terminate, cancel or surrender the IDA Lease Agreement or any obligation of the Company under the IDA Lease Agreement except as permitted by the IDA Lease Agreement or to any abatement, suspension, deferment, diminution or reduction in the rentals or other payments thereunder.

Payment of Purchase Price of Tendered Bonds. Any payment by the Company to a Tender Agent of amounts necessary to pay the applicable purchase price of Bonds pursuant to the Indenture shall be in immediately available funds and paid to such Tender Agent at its principal corporate trust office on the date set forth in the Indenture.

The Company approves and agrees to be bound by the provisions of the Indenture regarding the purchase, offer, sale and delivery of each series of Bonds required to be tendered for purchase thereunder. The Company shall have all of the rights and obligations provided in the Indenture with respect to the Company in connection with such transactions and the appointment of the Tender Agent and the Remarketing Agent for such series of Bonds thereunder. The Agency shall have no obligation or responsibility with respect to the purchase of any series of Bonds or any related arrangements, except that the Agency, at the expense of the Company, shall cooperate in the making of any such arrangements.

Maintenance, Taxes and Insurance

Maintenance, Alterations and Improvements. During the term of the IDA Lease Agreement, the Company will keep the Leased Facilities and the Facility Equipment in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the Port Authority Lease, the Port Authority Consent, the New City/American Lease (if then effective) and the IDA Lease Agreement and will, except as provided in the IDA Lease Agreement, make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) necessary to ensure the continued operation of the Facility. All replacements, renewals and repairs shall be made and installed in compliance with the requirements of the governmental bodies having jurisdiction therefor. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Facility, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of the Facility, or to furnish any utilities or services for the Facility and the Company agrees to assume full responsibility therefor.

The Company shall have the right to make such alterations of or additions to the Facility or any part thereof from time to time as it in its discretion may determine to be desirable for its uses and purposes, *provided* that (i) such additions or alterations are effected in compliance with all applicable legal requirements, (ii) such additions or alterations do not change either the nature of the Facility so that it would not constitute a qualified "project" under the Act nor the nature of the Financed Property so that it would not constitute an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, and (iii) such additions or alterations are effected in accordance with the Basic Lease, the Port Authority Consent, the Port Authority Lease and the New City/American Lease (if then effective). All alterations of and additions to the Facility shall constitute a part of the Facility, subject to the IDA Lease Agreement, the Leasehold Mortgage,

the Equipment Security Agreement, the Port Authority Lease, the Port Authority Consent, the Company Sublease, the Basic Lease and the New City/American Lease (if then effective) and the Company shall deliver or cause to be delivered to the Agency appropriate documents as may be necessary to subject such property to the IDA Lease Agreement and, in the case of the Leased Facilities, the Company Sublease.

The Company shall have the right to install or permit to be installed at the Leased Facilities, machinery, equipment and other tangible personal property not constituting part of the Facility Equipment (the "*Lessee's Property*") without subjecting such property to the IDA Lease Agreement, the Leasehold Mortgage or the Equipment Security Agreement. The Agency shall not be responsible for any loss of or damage to the Lessee's Property. Subject to the terms of the Port Authority Lease or the New City/American Lease, if any, the Company shall have the right to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, the Lessee's Property, *provided* that such mortgage, encumbrance, lien or charge or conditional sale or title retention agreement does not create or constitute a lien or encumbrance on the Facility except for Permitted Encumbrances.

The Company shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the interest of the Agency or the Company in the Company Sublease or the IDA Lease Agreement or the amounts payable thereunder with respect to any series of Bonds, other than Permitted Encumbrances.

Payment of Impositions. The Company shall pay when the same shall become due all taxes and assessments (excluding Sales and Use Taxes for which an exemption has been granted pursuant to the Preliminary Sales Tax Letter and the Sales Tax Letter and the provisions thereof), general and specific, if any, levied and assessed upon or against the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage, the interest of the Trustee under the Indenture, any estate or interest of the Agency or the Company in the Facility, or the rentals or other payments under the IDA Lease Agreement during the term of the IDA Lease Agreement, and all charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility, all of which are called "*Impositions.*" The Agency shall promptly forward to the Company any notice, bill or other statement received by the Agency concerning any Imposition. The Company may pay any Imposition in installments if so payable by law, whether or not interest accrues on the unpaid balance.

The Company may contest in good faith the validity, existence or applicability of any Imposition if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of such Imposition against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Company or the Agency under the IDA Lease Agreement or the Company Sublease or the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the interest of the Trustee under the Indenture, and (ii) such contest shall not result in the Agency or the Trustee being in any danger of any criminal liability for failure to comply therewith. In the event that any Imposition shall be imposed upon the Agency's interest in the Facility, the IDA Lease Agreement or the rentals or other payments thereunder, the

Company shall pay the same as required by the IDA Lease Agreement, and the Company shall be subrogated to the Agency's right, if any, to contest the validity of such Imposition.

Insurance. At all times throughout the term of the IDA Lease Agreement, including without limitation during any period of construction or reconstruction of the Facility, the Company shall maintain or cause to be maintained property and casualty insurance and other policies of insurance relating to the Project for the benefit of the Company, the Agency and the Trustee, with insurance companies having a minimum Best's rating of "A-" (Excellent) and Financial Size Category VII or larger, or as otherwise deemed satisfactory to the Agency, and authorized to do business in the State, against the following risks, loss, damage and liability (including liability to third parties) and in such amounts as are set forth below:

(i) (A) Workers' Compensation insurance in amounts required by law, (B) Employers' liability insurance, including (I) coverage of bodily injury by accident in the amount of $1,000,000 each accident and (II) bodily injury by disease in the amount of $1,000,000 per employee with a $1,000,000 policy limit,

(ii) Excess employers' liability insurance with minimum limits of $25,000,000 per occurrence, and

(iii) Such other insurance in such amounts and against such insurable hazards as the Agency from time to time may reasonably require, *provided* that such insurance is generally obtainable and is customarily obtained by air carriers (or their affiliates) of comparable creditworthiness as the Company and which are operators of similar facilities at the Airport at commercially reasonable rates.

In addition to the other obligations relating to insurance required under the IDA Lease Agreement, the Company during the construction of the Facility up to the date of completion in its own name as insured and including the Agency and the Trustee as additional insureds shall maintain and pay the premiums on a policy or policies of comprehensive general liability insurance, including, but not limited to, premises-operations, products-completed operations, explosion, collapse and underground property damages, personal injury and independent contractors, with a broad form property damage endorsement, and with a contractual liability endorsement covering the obligations assumed by the Company pursuant to the applicable sections of the Port Authority Lease, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles and environmental impairment liability insurance covering both gradual and sudden and accidental occurrences, on a claims-made basis, with a 1 year extended reporting period and which shall be site specific and include on-site and off-site clean-up and with a contractual liability endorsement covering the obligations assumed by the Company pursuant to the environmental indemnification requirements set forth in the IDA Lease Agreement. The said comprehensive general liability insurance policy required during construction of the Project shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability on a per location/per aggregate basis. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability. The said environmental impairment liability insurance shall have a limit of not less than

$25,000,000 combined single limit per occurrence for death bodily injury and property damage liability for both gradual and sudden occurrences. A comprehensive general liability insurance policy with asbestos removal/abatement coverage, with respect solely to said asbestos removal/abatement portions of the construction work, shall be a limit of not less than $5,000,000 combined single limit per occurrence for bodily injury and property damage liability and each such policy shall be project specific with respect to said portions of the construction work. The Company must also maintain an "all risk" Builders risk policy in an amount not less than the completed value of the work being performed, including coverage for items stored off-site and time in transit for an amount sufficient to cover fully any loss. Professional liability (errors and omissions) insurance for any architect, engineer, or other person or entity providing professional services to the Company and/or employed in connection with the design/build or maintenance of the Facility, with limits in an amount of not less than $1,000,000 must be maintained as well. The foregoing shall be in addition to all policies of insurance otherwise required by the IDA Lease Agreement, or the Company may provide such insurance by requiring each contractor or subcontractor engaged by it for the construction work to procure and maintain such insurance including such contractual liability endorsement, said insurance, whether procured by the Company or by a contractor or subcontractor engaged by it as aforesaid, not to contain any exclusion for bodily injury to or sickness, disease or death of any employee of the Company or of any of its contractors or subcontractors which would conflict with or in any way impair coverage under the contractual liability endorsement. Further the Company shall provide and maintain or shall require each contractor engaged by it for the construction work, or any portion thereof, to provide and maintain contractor's property and equipment coverage for the full value of such property and equipment with the Agency insured thereunder as its interests may appear. All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protection afforded the Company thereunder with respect to any claim or action against the Company by a third person shall pertain and apply with like effect with respect to any claim or action against the Company by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protection afforded the Agency or the Trustee thereunder and with respect to any claim or action against the Agency and the Trustee by the Company shall be the same as the protection afforded the Company thereunder with respect to any claim or action against the Company by a third person as if the Agency or the Trustee were the named insureds thereunder but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency or the Trustee thereunder as an additional insured. It is specifically understood and agreed that the Agency shall have the right upon notice to the Company given from time to time and at any time to require the Company to increase any or all of the foregoing limits to reasonably commercial amounts and the Company shall promptly comply therewith and shall promptly submit a certificate or certificates evidencing the same to the Agency and the Trustee.

In addition to all other insurance required under the IDA Lease Agreement, the Company, during the term of the IDA Lease Agreement in its own name as insured and including the Agency and the Trustee as additional insureds, shall maintain and pay the premiums on a policy or policies of property insurance, to insure all buildings, structures, improvements, installations, facilities and fixtures now or in the future located on the Premises covered by the IDA Lease Agreement against all risks of physical loss or damage (including, but not limited to flood and earthquake risks) if available, and if not available, then against such

hazards and risks as may now or in the future be included under the Standard Form of Fire Insurance Policy of the State of New York, and also covering boiler and machinery hazards and risks in a separate insurance policy or as an additional coverage endorsement to the aforesaid policies in the form as may now or in the future be prescribed as of the effective date of said insurance by the rating organization of the State, comprehensive general liability insurance, including premises-operations, products liability, liquor liability, completed operations, and covering bodily injury, including death, and property damage liability, broadened to include or equivalent separate policies covering aircraft liability, none of the foregoing to contain care, custody or control exclusions, and providing for coverage in the limits set forth below, and comprehensive automobile liability insurance covering owned, nonowned and hired vehicles providing for coverage in the limits set forth below. As to the said comprehensive general liability insurance the Company may, in lieu of the foregoing requirement with respect to care, custody and control exclusions, elect, in its own name as insured and including the Agency and the Trustee as additional insureds as their interests may appear, to maintain and pay the premiums on a baggage legal liability, a cargo legal liability and a real property legal liability policy or policies in the limits set forth below. The said property insurance policy shall be written on an "all risk" basis with an agreed amount endorsement attached. The said comprehensive general liability insurance policy shall have a limit of not less than $100,000,000 combined single limit per occurrence for bodily injury and property damage liability. The said comprehensive automobile liability insurance shall have a limit of not less than $25,000,000 combined single limit per accident for bodily injury and property damage liability.

The minimum limits as to the aforesaid baggage legal liability, cargo legal liability and real property legal liability policy and policies shall be as follows:

Baggage Legal Liability	$10,000,000
Cargo Legal Liability	$10,000,000
Real Property Legal Liability (Fire Legal Liability)	$10,000,000

All of the said policy or policies of insurance shall also provide or contain an endorsement providing that the protections afforded the Company thereunder with respect to any claim or action against the Company by a third person shall pertain and apply with like effect with respect to any claim or action against the Company by the Agency or the Trustee and shall also provide or contain an endorsement providing that the protections afforded the Agency and the Trustee thereunder and with respect to any claim or action against the Agency or the Trustee by the Company shall be the same as the protections afforded the Company thereunder with respect to any claim or action against the Company by a third person as if the Agency or the Trustee were the named insureds thereunder but such endorsement shall not limit, vary, change, or affect the protection afforded the Agency and the Trustee thereunder as additional insureds. The said policy or policies of insurance shall also provide or contain a contractual liability endorsement covering the obligations assumed by the Company under the Port Authority Lease and any analogous provision of the New City/American Lease (if then effective).

All insurance required under the IDA Lease Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

The Company shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Agency to collect from insurers for any loss covered by any insurance required to be obtained under the IDA Lease Agreement. The Company shall not do any act, or suffer or permit any act to be done, whereby any insurance required by the IDA Lease Agreement would or might be suspended or impaired.

In addition to notifying its insurer(s) in accordance with the policies, the Company shall provide prompt written notice to the Agency and the Trustee as soon as reasonably possible of any accident or loss relating to the Facility likely to exceed 50% of the applicable coverage limits. The limits of insurance set forth in the IDA Lease Agreement shall in no way be construed to limit the Company's, its contractors' or its subcontractors' liability under the IDA Lease Agreement. All insurance provided by the Company, its contractors and its subcontractors shall be primarily as regards the liabilities under the IDA Lease Agreement, and any insurance maintained by the Agency shall be in excess and not contributing with the Company's, its contractors' or its subcontractors' insurance.

Compliance with Law. The Company agrees that it will, throughout the term of the IDA Lease Agreement and at its sole cost and expense and subject to the provisions of the IDA Lease Agreement, promptly observe and comply or cause to be observed and complied with, in all material respects, all federal, State and local statutes, codes, laws, acts, ordinances, orders, judgments, decrees, rules, regulations and authorizations, whether foreseen or unforeseen, ordinary or extraordinary, which shall now or at any time hereafter be binding upon or applicable to the Company, any occupant, user or operator of the Facility or any portion thereof (including without limitation those relating to zoning, land use, environmental protection, air, water and land pollution, toxic wastes, hazardous wastes, solid wastes, wetlands, health, safety, equal opportunity, minimum wages, and employment practices) (the "*Legal Requirements*"). The Company shall not occupy, use or operate the Facility or allow the Facility or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Facility or that may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto. The Company shall indemnify and hold harmless the Indemnified Parties (as defined herein under "—Particular Covenants—*Indemnification*") from and against all loss, cost, liability and expense (a) in any manner arising out of or related to any violation of or failure to comply with any Legal Requirement or (b) imposed upon the Company or any of the Indemnified Parties by any Legal Requirement; in case any action or proceeding is brought against any of the Indemnified Parties in respect to any Legal Requirement, the Company shall upon notice from any of the Indemnified Parties defend such action or proceeding.

The Company may contest in good faith the validity, existence or applicability of any of the Legal Requirements if (i) in the Opinion of Counsel, such contest shall suspend the execution or enforcement of any lien against any of the rentals or other amounts payable under the IDA Lease Agreement or the interest of the Company or the Agency under the IDA Lease Agreement,

the interest of the Trustee under the Indenture or the interest of the Leasehold Mortgagee under the Leasehold Mortgage or the Company Sublease (and as evidenced by a certificate of an Authorized Representative of the Company) shall not result in the Facility or any material part thereof or interest therein being in any material risk of being sold, forfeited or lost, and shall not materially adversely affect the Company's ability to pay and perform its obligations hereunder or under any other Security Document, and (ii) such contest shall not result in the Agency, the Leasehold Mortgagee or the Trustee being in any danger of any criminal liability for failure to comply therewith.

Damage, Destruction and Condemnation

In the event that at any time during the term of the IDA Lease Agreement the whole or part of the Facility shall be damaged or destroyed, or taken or condemned by a competent authority for any public use or purpose, or by agreement (to which the Company shall consent in writing) between the Agency and those authorized to exercise such right, or if the temporary use of the Facility shall be so taken by condemnation or agreement (a *"Loss Event"*):

(i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility,

(ii) there shall be no abatement, postponement or reduction in the rent or other amounts payable by the Company under the IDA Lease Agreement, and

(iii) the Company will promptly give written notice of any material Loss Event to the Agency and the Trustee, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, insurance proceeds with respect to the Leased Facilities shall be applied as required under the Basic Lease and the Port Authority Lease or the New City/American Lease (if then effective).

If all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Company as contemplated under the IDA Lease Agreement, and such taking or condemnation shall not be subject to appeal or further appeal, the Company shall exercise its option to terminate the IDA Lease Agreement pursuant to the terms of the IDA Lease Agreement and cause all Bonds Outstanding to be redeemed pursuant to the Indenture, and the Company shall pay to the Trustee for deposit ratably in each of the Redemption Accounts of the Bond Fund an amount that, when added to the total amount then in all of the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date) and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents, together with all other amounts due under the Indenture and under the IDA Lease Agreement, and such amount shall be applied, together with such other available moneys in the Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

The Agency and the Company shall cooperate and consult with each other in all matters pertaining to the settlement, compromising, arbitration or adjustment of any claim or demand on account of any Loss Event, but the settlement, compromising, arbitration or adjustment of any such claim or demand shall be subject to the approval of the Company.

The Company waives the provisions of Section 227 of the New York Real Property Law or any law of like import now or hereafter in effect.

Particular Covenants

Dissolution or Merger of Company; Restrictions on Company. The Company covenants and agrees that at all times during the term of the IDA Lease Agreement, it will (i) maintain its corporate existence, (ii) continue to be a corporation subject to service of process in the State and duly qualified to do business as a foreign corporation in the State, (iii) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets, and (iv) not consolidate with or merge into another corporation. The Company may, however, without violating the foregoing, consolidate with or merge into another corporation, or sell or otherwise transfer all or substantially all of its property, business or assets to another such corporation (and thereafter liquidate, wind-up or dissolve or not, as the Company may elect) if (y) such consolidation, merger, sale or transfer shall not cause the Company to be in default under the terms of the Port Authority Lease, the City Attornment Agreement, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the Leasehold Mortgage, upon the effectiveness thereof, the Equipment Security Agreement, any other Security Agreement or the New City/American Lease (if then effective) and (z) (i) the Company is the surviving, resulting or transferee corporation, as the case may be, or (ii) in the event that the Company is not the surviving, resulting or transferee corporation, as the case may be, such corporation (A) is not a Prohibited Person, (B) is a solvent corporation subject to service of process in the State and either incorporated in or duly qualified to do business as a foreign corporation in the State, and (C) assumes in writing, by means of an instrument that is delivered to the Agency and the Trustee, all of the obligations of the Company contained in the Port Authority Lease, the City Attornment Agreement, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the New City/American Lease (if then effective), and in the IDA Lease Agreement, the Company Sublease, the Leasehold Mortgage (if then effective), the Equipment Security Agreement, and all other Security Documents to which the Company shall be a party, and in the Opinion of Counsel, such corporation shall be bound by all of the terms applicable to the Company of the IDA Lease Agreement, the Port Authority Lease, the Company Sublease, the Agreement Towards Entering Into a Lease, the Port Authority Consent, the City Attornment Agreement, the New City/American Lease (if then effective), the Leasehold Mortgage (if then effective), the Equipment Security Agreement and all other Security Documents to which the predecessor Company corporation shall have been a party and such action does not legally impair the security for the Holders of the Bonds afforded by the Security Documents.

Indemnification. The Company shall at all times protect and hold the Agency, the Trustee, the Bond Registrar and the Paying Agents (collectively, the *"Indemnified Parties"*) harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature

and however caused, including reasonable costs, disbursements and expenses (including reasonable legal fees and expenses) and taxes (of any kind and by whomsoever imposed), other than, with respect to the Agency, losses arising from the gross negligence or willful misconduct of the Agency, or, with respect to any other Indemnified Party, losses arising from the negligence or willful misconduct of such other Indemnified Party, arising upon or about the Facility or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Facility and the marketing, issuance, sale and remarketing of the Agency's Bonds for such purpose (including all expenses and liability relating to any Internal Revenue Service audit or inquiry with respect to the Bonds), (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, installation or completion of the Project or any part thereof or the effecting of any work done in or about the Facility, (iii) any defects (whether latent or patent) in the Facility, (iv) any violation of or failure to comply with or requirement to comply with any Legal Requirement (v) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of the Facility or any portion of the Facility, or (vi) the Port Authority Lease, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the New City/American Lease, if any, the Company Sublease, the IDA Lease Agreement, the Indenture, the Leasehold Mortgage, the Equipment Security Agreement or any other Security Document or other document or instrument delivered in connection with the IDA Lease Agreement or the enforcement of any of the terms or provisions thereof or the transactions contemplated thereby. Such indemnification described above shall be binding upon the Company for any and all claims, demands, expenses, liabilities and taxes set forth in the IDA Lease Agreement and shall survive the termination of the IDA Lease Agreement. No Indemnified Party shall be liable for any damage or injury to the person or property of the Company or its directors, officers, employees, agents or servants or persons under the control or supervision of the Company or any other Person who may be about the Facility, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of the Agency or the negligence or willful misconduct of any other Indemnified Party.

The Company releases each Indemnified Party from, and agrees that no Indemnified Party shall be liable for, and agrees to indemnify and hold each Indemnified Party harmless against, any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters described in clauses (i) through (vi) of the preceding paragraph or at the direction of the Company with respect to any of such matters described above. An Indemnified Party shall promptly notify the Company in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Company pursuant to the indemnification provisions of the IDA Lease Agreement described herein; such notice shall be given in sufficient time to allow the Company to defend such claim or action. The failure of an Indemnified Party to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of the Company under the indemnification provisions of the IDA Lease Agreement, if (i) any officer or management-employee of the Company shall have actual knowledge of such claim or action, or (ii) any officer or professional staff of such Indemnified Party who shall have responsibility with respect to the handling of such claim or action shall not have actual knowledge thereof; *provided* that if any such officer or professional staff referred to in clause (ii) above shall have had actual knowledge thereof in reasonably sufficient time to give

notice thereof to the Company and shall have failed to do so, and an officer or management-employee of the Company referred to in clause (i) above shall not have actual knowledge of such claim or action, such failure will reduce the liability of the Company under the indemnification provisions of the IDA Lease Agreement by the amount of actual damages resulting from such failure, but such failure will not otherwise relieve the Company from its obligations under the indemnification provisions of the IDA Lease Agreement. In the event the Company shall have suffered actual damages by reason of a circumstance referred to in the preceding sentence for which the Company's liability to an Indemnified Party is not to be reduced, such Indemnified Party shall (at the sole cost and expense of the Company) take such action to mitigate damages (including seeking to open any default judgment as might exist) as may be reasonably requested by the Company.

In addition to and without limitation of all other representations, warranties and covenants made by the Company under the IDA Lease Agreement, the Company further represents, warrants and covenants therein that the Company has not used Hazardous Materials (as defined below) in acquiring, constructing, renovating, expanding or equipping the Facility in any manner that violates federal, state or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and other than as disclosed to the Indemnified Parties, the Company has no actual knowledge of the presence or use of any Hazardous Materials on the Leased Facilities in a manner that would violate any such laws, ordinances, rules, regulations or policies. The Company shall comply with and require compliance by all tenants and subtenants of the Leased Facilities, in the generation, manufacture, refining, transport, treatment, storage, handling, disposal, transfer, production or processing of Hazardous Materials, with all applicable federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and require that all tenants and subtenants of the Leased Facilities obtain and comply with, any and all approvals, registrations or permits required thereunder. The Company shall defend, indemnify, and hold harmless each Indemnified Party from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (w) the presence, disposal, release, or threatened release of any Hazardous Materials with respect to the Leased Facilities that are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (x) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such presence, disposal, release, or threatened release of Hazardous Materials; (y) any lawsuit brought or threatened, settlement reached, or government order relating to such presence, disposal, release, or threatened release of Hazardous Materials, and/or (z) any violation of laws, orders, regulations, requirements or demands of government authorities, which are based upon or in any way related to such presence, disposal, release or threatened release of Hazardous Materials including, without limitation, reasonable attorney and consultant fees and expenses, investigation and laboratory fees, court costs, and litigation expenses. For purposes of this paragraph, *"Hazardous Materials"* includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, *et seq.*), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 *et seq.*), the

Resources Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, *et seq.*), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation. The provisions of the IDA Lease Agreement described in this paragraph shall be in addition to any and all other obligations and liabilities the Company may have to any Indemnified Party at common law, and shall survive the termination of the IDA Lease Agreement.

In the event any claim, action, suit or proceeding shall be brought against an Indemnified Party within the protections provided by the Company under the indemnification provisions of the IDA Lease Agreement described herein, the Company shall, promptly after being so requested by such Indemnified Party, at the sole cost and expense of the Company, assume and direct the defense thereof, with counsel reasonably satisfactory to such Indemnified Party (counsel selected by the Company's insurance carrier being deemed to be so acceptable), and in such event the Company shall not be liable to such Indemnified Party for any legal or other expenses incurred by such Indemnified Party in connection with the defense thereof; *provided, however,* that unless and until the Company assumes the defense of any such action at the request of such Indemnified Party, the Indemnified Party shall have the right to conduct the defense of such action at the Company's expense; and *provided, further,* that if an Indemnified Party reasonably concludes that there may be defenses available to it or them that are different from or in addition to the defenses available to the Company (in which case the Company will not have the right to direct the defense of such claim, action, suit or proceeding on behalf of such Indemnified Party), reasonable legal and other expenses incurred by such Indemnified Party will be paid by the Company. If the Company shall not promptly employ counsel to have charge of the defense of any such claim, action, suit or proceeding, reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Company.

The indemnifications and protections set forth in the indemnification provisions of the IDA Lease Agreement and described herein shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

The covenants of the Company contained in the indemnification provisions of the IDA Lease Agreement and described herein shall remain in full force and effect after the termination of the IDA Lease Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions thereof herein described.

Retention of Interest in the Facility. The Agency shall not sell, assign, encumber (other than pursuant to the Equipment Security Agreement, or the granting clauses of the Indenture), convey or otherwise dispose of its interest in the Facility or any part thereof or interest therein (including its interest in the IDA Lease Agreement, and in the rentals payable under the IDA Lease Agreement and in the Company Sublease) during the term of the IDA Lease Agreement, except as set forth therein without the prior written consent of the Company, the Trustee and the Leasehold Mortgagee and any purported disposition without such consent shall be void.

The Agency and the Trustee, will, however, at the written direction of the Company and/or the Port Authority and at the written direction of the Company and/or the City during any period, if any, that the New City/American Lease shall be in effect, so long as there exists no Event of Default under the IDA Lease Agreement, grant such rights of way or easements over, across or under the Leased Facilities, or grant such permits or licenses in respect to the use thereof, free from the leasehold estate of the IDA Lease Agreement and the Company Sublease as shall be necessary or convenient for the operation or use of the Facility (or as shall be desirable for the use of another parcel of property at the Airport or for use by the City, the Port Authority or a public utility), *provided* that such leases, rights-of-way, easements, permits or licenses shall not materially adversely affect the use or operation of the Facility and shall not violate the provisions of the Leasehold Mortgage. The Agency and the Trustee agree, at the sole cost and expense of the Company, the Port Authority or the City, as the case may be, to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such right of way or easement or any such permit or license and to release the same from the leasehold estate of the IDA Lease Agreement.

So long as there exists no Event of Default under the IDA Lease Agreement, the Company and/or the Port Authority may, and the Company and/or the City may during any period, if any, that the New City/American Lease shall be in effect, from time to time by written direction to the Agency and the Trustee direct the Agency and the Trustee to release and remove from the IDA Lease Agreement and the leasehold estate created thereby any unimproved part of the Leased Facilities (on which none of the improvements, including the buildings, structures, improvements, related facilities, fixtures or other property comprising the Facility are situated; *provided* the foregoing "improvements" shall not include roadways, runways, parking areas, curbs, gutters, landscaping and utility facilities) on the condition that such release and removal shall only constitute a Minor Release. Upon any such request by the Company and/or the Port Authority or the Company and/or the City, as the case may be, the Agency and the Trustee shall, at the sole cost and expense of the Company, the Port Authority or the City, as the case may be, execute and deliver any and all instruments necessary or appropriate to so release and remove such portion of the Leased Facilities; *provided*, that, no such release shall be effected unless there shall be delivered to the Trustee and the Agency a certificate of an Authorized Representative of the Company stating that (i) the proposed Minor Release will not have a material adverse effect on the use of the remaining Leased Facilities as a passenger terminal facility comparable to the passenger terminal facility immediately prior to such release (such determination to be based upon a report or appraisal of a nationally recognized airport engineering, traffic or consulting firm selected by the Company and acceptable to the Trustee to be appended to such certification of the Company), (ii) there exists no Event of Default under the Security Documents, and (iii) simultaneously with such release, the part of the Leased Facilities which is the subject of such Minor Release shall be eliminated from the Port Authority Lease or the New City/American Lease, as the case may be.

In the event that, pursuant to the Port Authority Lease or the New City/American Lease, any portion of the Leased Facilities is released from the Port Authority Lease or the New City/American Lease, if any, and such release constitutes a Major Release, the Company shall pay as additional rent to the Trustee on behalf of the Agency an amount equal to the Release Price and such Release Price shall be applied by the Trustee to the redemption of Bonds in

accordance with the Indenture. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Mandatory Redemption Without Premium Upon the Release of a Portion of the Leased Facilities.*"

No conveyance or release effected shall entitle the Company to any abatement or diminution of the rents payable under the IDA Lease Agreement.

Redemption Under Certain Circumstances; Special Covenants. Upon the determination by resolution of the board members of the Agency that the Company is operating all or substantially all of the Facility, or is allowing all or substantially all of the Facility to be operated, other than as a qualified "project" in accordance with the Act (as in effect on the date of original issuance and delivery of the Series 2002 Bonds) and the failure of the Company within 60 days (or such longer period as may be established under the IDA Lease Agreement as described in the proviso to this sentence) of the receipt by the Company of a copy of said resolution, together with written notice of such noncompliance from the Agency to cure such noncompliance (a copy of which notice shall be sent to the Trustee), the Company covenants and agrees that it shall, on the immediately succeeding Interest Payment Date following the termination of such 60 day (or longer) period for which sufficient notice of redemption can be given in accordance with the requirements of the Indenture, pay to the Trustee advance rentals in immediately available funds in an amount sufficient to redeem all Outstanding Bonds in whole at a redemption price equal to 100% of the unpaid principal amount of the Outstanding Bonds, together with interest accrued to the date of redemption and without premium, *provided, however,* that if such noncompliance cannot be cured within such period of 60 days with diligence (and is capable of being cured) and the Company promptly commences the curing of such noncompliance and thereafter prosecutes the curing thereof with diligence and to the Agency's reasonable satisfaction, such period of time within which the Company may cure such failure shall be extended for such additional period of time as may be necessary to cure the same with diligence and the Agency shall notify the Trustee and the Bondholders of any such extension. The Agency shall give to the Company and the Trustee prior written notice of the meeting at which the members of the Agency are to consider such resolution, which notice shall be no less than 60 days prior to such meeting. See "THE SERIES 2002 BONDS—Redemption Prior to Maturity—*Extraordinary Optional Redemption Without Premium at the Option of the Agency Upon Failure to Operate the Facility as a Qualified Project.*"

The Company shall be conclusively deemed to be operating all or substantially all of the Facility (or causing all or substantially all of the Facility to be operated) as a qualified "project" in accordance with the Act, if all or substantially all of the Facility shall be operated for general airport purposes substantially similar in nature to that conducted by the Company or other air carriers at the City's airports and other equivalent airports.

Upon the occurrence of the circumstances requiring a mandatory redemption of any series of Bonds pursuant to the applicable Series Supplemental Indenture, the Company shall pay, or cause the prepayment of, its lease rental obligations upon the circumstances and in the manner set forth in the Indenture or any such Series Supplemental Indenture.

Company's Covenants as to Tax Exemption. To the extent compliance is within the control of the Company, the Company covenants to comply with each requirement of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds (other than interest on Bonds accruing while owned by a "substantial user" or a related person (within the meaning of Section 147 of the Code)) from gross income for federal income tax purposes pursuant to Section 103 of the Code. In furtherance of the foregoing, the Company covenants that it shall not fail to take any action or consent to the failure to take any action which such failure to act, or consent would cause the interest on the Tax-Exempt Bonds to be includable in gross income for federal income tax purposes under Section 103 of the Code. In furtherance of the covenant described in the preceding sentence, the Company agrees to comply with the terms, provisions and conditions in the each of the applicable Tax Certificates, including without limitation, the making of any payments and filings required thereunder.

The Company covenants that it will not take any action or fail to take any action that may be taken by the Company with respect to the Tax-Exempt Bonds that would cause such Tax-Exempt Bonds to be "arbitrage bonds," within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder, as amended from time to time.

The obligation of the Company to make the payments under the IDA Lease Agreement described in the two preceding paragraphs shall be absolute and unconditional, and the failure of the Agency, the Trustee or any other Person to execute or deliver or cause to be executed or delivered any documents or to take any action required under the IDA Lease Agreement or otherwise shall not relieve the Company of such obligations.

So long as it is necessary in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, the covenants contained in the IDA Lease Agreement described in the three preceding paragraphs shall survive the discharge and satisfaction of the Tax-Exempt Bonds (in accordance with the Indenture) and the term of the IDA Lease Agreement.

The Company agrees that the covenants, representations, warranties, and statements of expectation contained or incorporated by reference in the IDA Lease Agreement and described in this subheading shall be accurate and true and complied with as of the date on which each series of Tax-Exempt Bonds is issued and at all times thereafter until such series of Tax-Exempt Bonds are fully discharged and no longer accruing interest. The Company further agrees that if such discharge date is earlier than the final stated maturity date of such series of Tax-Exempt Bonds, the Company must continue to comply with the representations, certifications and covenants contained in or incorporated by reference in the IDA Lease Agreement and described in this subheading unless the Company receives a Favorable Opinion of Bond Counsel.

The Company agrees that except to the extent that such use would not adversely affect the exclusion pursuant to Section 103(a) of the Code of interest on any Tax-Exempt Bonds from gross income of the owners thereof, no part of the proceeds of any Bonds or any funds held under the Indenture shall at any time be used directly or indirectly for any purpose that would cause any component of the Project to be financed with the proceeds of the Tax-Exempt Bonds

(other than components the cost of which was a Nonqualified Cost) to become a facility not within those facilities referred to in Section 142(a)(1) of the Code.

The Company agrees and covenants that, except for amounts requisitioned from the Mortgage Reserve Fund, no requisition shall be paid from Net Proceeds of the Tax-Exempt Bonds for any Project Cost of the Project which is not a Qualified Cost (other than costs of issuance) until the date on which the aggregate Qualified Costs theretofore and thereupon paid equals or exceeds 95% of the total costs of the Project theretofore and thereupon paid from the Net Proceeds of the Bonds. After such date, the Company, as agent for the Agency, may pay any requisition that, after payment thereof, results in 95% or more of the remaining Net Proceeds of the Tax-Exempt Bonds theretofore and thereupon requisitioned or transferred being used to pay Qualified Costs, unless the Company receives an opinion of Bond Counsel to the effect that the Company may disregard such covenant without adversely affecting the exclusion from gross income of the interest on the Bonds for federal income tax purposes, in which case the Company may pay any such requisition without regard to such covenant. The representations, warranties, covenants and statements of expectation of the Company set forth in each applicable Tax Certificate are incorporated in the IDA Lease Agreement.

Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease. At least five Business Days prior to the execution of any material amendment, supplement or modification to the New City/American Lease, if any, the City Attornment Agreement or the Agreement Towards Entering Into a Lease, the Company shall deliver a copy of same in substantially final form to each of the Agency and the Trustee. The Company further covenants that it shall not (i) terminate, (ii) surrender, or (iii) materially amend the City Attornment Agreement, or the Agreement Towards Entering Into a Lease without the Trustee's prior written consent.

The Company shall not modify, amend, supplement or extend Section 92 or any analogous provision of the New City/American Lease, nor shall the Company enter into any amendment of the Port Authority Lease or the New City/American Lease which shall only affect a Qualifying Replacement Tenant under the Port Authority Lease or successor lessee under the New City/American Lease and shall not affect the originally named Company, without the prior consent of the Trustee in each case.

The Company shall not enter into any termination agreement with respect to the Port Authority Lease or the New City/American Lease (if then effective), nor surrender or abandon its interest in the Leased Facilities under the Port Authority Lease or the New City/American Lease other than as contemplated by the IDA Lease Agreement and described herein. The foregoing provision shall not in any way limit or modify the Company's obligations under the Port Authority Lease.

The Company shall use commercially, reasonable good faith efforts to obtain the certificate of the Port Authority certifying that there has been substantial completion of the Redevelopment Work.

Upon the execution, delivery and recording of any mortgage of the Company's leasehold interest in the New City/American Lease, the Company shall pay any Mortgage Recording Tax due with respect to the recording thereof or provide proof satisfactory to the Trustee that no such Mortgage Recording Tax is due and payable upon recording of such mortgage.

The Company covenants that (i) on or before the date it delivers to the Trustee the executed Leasehold Mortgage in accordance with the provisions of the IDA Lease Agreement described in the third succeeding paragraph, it shall pay to the Trustee for deposit in to the Foreclosure Payment Account of the Mortgage Reserve Fund an amount equal to the Foreclosure Payment Account Requirement and (ii) it will replenish any deficiencies in the Foreclosure Payment Account based upon the valuation of the assets thereof in accordance with the Indenture.

In the event the Basic Lease has not been extended for a term at least equal to the final maturity date of the Bonds, the Company shall, beginning at such time as it reasonably deems appropriate, use commercially reasonable good faith efforts to obtain and execute, not later than December 1, 2015, the New City/American Lease. Simultaneously with the execution of the New City/American Lease, the Company shall execute and deliver an amended and restated Company Sublease to provide for the sublease of the Leased Facilities under the New City/American Lease from the Company to the Agency and, if necessary, an amended and restated IDA Lease Agreement to provide for the sublease of the Lease Facilities from the Agency to the Company.

The Company covenants and agrees that it shall comply with the Section 92(d) Provisions in connection with the recordation of the Leasehold Mortgage. In the event that any recordation of the Leasehold Mortgage shall constitute a Wrongful Recording of the Leasehold Mortgage, the Company expressly covenants, represents and agrees that it shall cooperate with the Port Authority and the Trustee, and shall promptly take or cause to be taken any and all actions requested by the Port Authority or the Trustee or required under applicable law, to remove and discharge the Leasehold Mortgage and any lien created by such Wrongful Recording of the Leasehold Mortgage, including but not limited to the execution and filing of all appropriate instruments related thereto. Notwithstanding the foregoing, any failure of the Company to comply with the Section 92 Provisions or any Wrongful Recording of the Leasehold Mortgage shall not constitute a breach of the IDA Lease Agreement in the event such failure or Wrongful Recording of the Leasehold Mortgage is cured as provided in the IDA Lease Agreement and described in this paragraph or, in the case of a Wrongful Recording of the Leasehold Mortgage, such Wrongful Recording of the Leasehold Mortgage is waived in writing by the Port Authority. After the Redevelopment Work has been completed, the Company shall take such actions as are necessary to satisfy the conditions set forth in subsections (i) and (v) of Section(d)(1) of Section 92 as described herein in clauses (a) and (e) of the first paragraph under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting—*Reletting Rights Effective Date Conditions*" and subsections (i) and (ii) of Section (d)(3) of Section 92 as described herein in the fifth paragraph under APPENDIX F—"SUMMARY OF CERTAIN PROVISIONS OF THE PORT AUTHORITY LEASE—Leasehold Mortgage and Reletting Rights—*Reletting Rights Effective Date Conditions.*"

The Company and the Agency covenant and agree that each shall in accordance with the Section 92(d) Provisions, execute the Leasehold Mortgage and deliver two execution copies of the same to the Trustee no later than 21 Business Days after the Reletting Rights Effective Date. Simultaneously with such delivery, the Company shall deliver to the Trustee an Opinion of Counsel reasonably satisfactory to the Trustee as to the validity and enforceability of the Leasehold Mortgage and the Company shall direct the Trustee to record the Leasehold Mortgage in the appropriate recording office of the City.

In the event the Basic Lease shall have expired and the Company occupies the Leased Facilities under the New City/American Lease, the Company shall use commercially reasonable good faith efforts to negotiate, execute and deliver to the Leasehold Mortgagee a leasehold mortgage of the Company's leasehold interest under the New City/American Lease having substantially similar terms and provisions as the Leasehold Mortgage; *provided, however,* that if the Company, using such efforts, can only obtain from the City the right to deliver to the Leasehold Mortgagee a leasehold mortgage that is substantially similar to comparable leasehold mortgages then permitted by the City to be granted by one or more similarly situated air carriers on leasehold interests in property at the Airport, the Company shall be deemed to have satisfied such obligation if it shall grant to the Leasehold Mortgagee such a leasehold mortgage.

Events of Default; Remedies

Events of Default. Any one or more of the following events shall constitute an "Event of Default" under the IDA Lease Agreement:

(a) Failure of the Company to make any rental payment that has become due and payable by the terms of the IDA Lease Agreement which results in an Event of Default under the Indenture;

(b) Failure of the Company to observe and perform any covenant, condition or agreement on its part to be performed (except as described in the preceding paragraph) as described herein under "Issuance of Bonds and Additional Bonds; Lease of Facility and Rental Provisions—*Lease of the Facility*" (the last sentence thereof), the last paragraph of "—Maintenance, Taxes and Insurance—*Maintenance, Alterations and Improvements,*" "—*Payment of Impositions,*" "*Compliance with Law,*" the third paragraph under "—Damage, Destruction and Condemnation," "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company,*" and "—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*" (except as described in clause (i) of the fifth paragraph thereof) and in the provisions of the IDA Lease Agreement with respect to the discharge of liens and assignment or sublease (with respect to an assignment or transfer of the IDA Lease Agreement) of the IDA Lease Agreement and (1) continuance of such failure for a period of 60 days after receipt by the Company of written notice specifying the nature of such default from the Agency, the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said 60 days, the Company fails to

proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same and the same shall not be cured within 360 days;

(c) Certain representations or warranties made by the Company in the IDA Lease Agreement shall prove to be false, misleading or incorrect in any material respect as of the date made, and, if the damage caused by such false, misleading or incorrect representation or warranty is capable of being remedied, the failure of the Company for 360 days after receipt by the Company of written notice specifying such false, misleading or incorrect representation or warranty from the Agency, the Trustee or the Holders of more than 25% in aggregate principal amount of the Bonds Outstanding, to remedy such damage;

(d) An "Event of Default" under the Indenture shall occur and be continuing that shall result in the acceleration of the principal of any Outstanding Bonds; or

(e) Failure of the Company to fully fund the Foreclosure Payment Account in an amount equal to the Foreclosure Payment Account Requirement as required in the IDA Lease Agreement and described herein in the fifth paragraph under "—Particular Covenants— *Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease.*"

Remedies on Default. Whenever any Event of Default shall have occurred and be continuing under the IDA Lease Agreement, the Agency, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in the Indenture, may cause all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon to the date of such acceleration, shall become immediately due and payable; *provided, however,* that upon the occurrence of an Event of Default under the Indenture due to the occurrence of an Act of Bankruptcy, all principal installments of rent payable under the IDA Lease Agreement for the remainder of the term of the IDA Lease Agreement, together with the accrued interest thereon to the date of such acceleration, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) Solely in conjunction with the exercise by the Trustee as mortgagee of its rights and remedies under the Leasehold Mortgage, the Trustee, or the Agency, with the prior written consent of the Trustee, may, subject to compliance with the provisions of the IDA Lease Agreement pertaining to assignment or sublease and without terminating the IDA Lease Agreement, re-let or sublease the Facility to a Qualifying Replacement Tenant Lessee for the account of the Company, holding the Company liable for the

difference in the rent and other amounts payable by the sublessee in such subletting, and the rents and other amounts payable by the Company under the IDA Lease Agreement;

(c) The Agency, with the prior written consent of the Trustee, or the Trustee, may terminate the IDA Lease Agreement, and all of the estate, right, title and interest therein granted or vested in the Company shall cease and terminate. No such termination of the IDA Lease Agreement shall relieve the Company of its liability and obligations under the IDA Lease Agreement and such liability and obligations shall survive any such termination; and

(d) The Trustee may take whatever action at law or in equity (subject to the limitations set forth in the Indenture and described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Limitation of Remedies*") as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Company under the IDA Lease Agreement the enforcement of which shall not have been expressly reserved only to the Agency.

The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by an action for damages, injunction or specific performance, by requiring the surrender by the Company to the Agency of the Sales Tax Letter for suspension or cancellation and/or termination.

In the event that the Company fails to make any rental payment required by the IDA Lease Agreement, the installment so in default shall continue as an obligation of the Company with interest thereon at the rate or rates borne by the Bonds until the amount in default shall have been fully paid.

No action taken pursuant to any remedy described under this subheading shall, except as expressly provided in the IDA Lease Agreement, relieve the Company from the Company's obligations under the IDA Lease Agreement, all of which shall survive any such action.

Remedies Cumulative. IDA Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the IDA Lease Agreement. Failure by the Agency or the Trustee to insist upon the strict performance of any of the covenants and agreements therein set forth or to exercise any rights or remedies upon default by the Company thereunder shall not be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce by mandatory injunction, specific performance or other appropriate legal remedy a strict compliance by the Company with all of the covenants and conditions thereof, or of the rights to exercise any such rights or remedies.

Limitation on Remedies Upon an Event of Default. The exercise of remedies under the IDA Lease Agreement by the Agency, the Trustee or the Holders of Bonds with respect to an Event of Default thereunder shall be subject to the provisions of the Indenture described herein

under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default: Remedies—*Limitation of Remedies.*"

Non-Default Remedies. Notwithstanding any provision of the IDA Lease Agreement to the contrary, the Agency, or the Trustee on behalf of the Agency, shall have the right to enforce any covenant or obligation of the IDA Lease Agreement the breach of which would not constitute an Event of Default thereunder by any action for damages, injunction or specific performance and any such action shall be limited by and subject to the provisions of the Indenture described herein under APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default; Remedies—*Limitation of Remedies.*"

Options

Removal, Sale and Substitution of Facility Equipment. The Company may, *provided* that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, remove any unit of Facility Equipment constituting Financed Property, not subject to the Port Authority Lease, the Basic Lease or the New City/American Lease, as the case may be, whether obsolete or not; *provided, however,* that the Company shall promptly replace any such Facility Equipment so removed with equipment of the same or a different kind but that is of at least equal value and capable of performing the same function as efficiently as the Facility Equipment so removed, *provided further* that such replacement equipment is free of all mortgages, liens, charges, encumbrances, claims and security interest other than Permitted Encumbrances and the replacement equipment shall be deemed Facility Equipment covered by the IDA Lease Agreement and the Equipment Security Agreement. Prior to any such replacement by the Company, (i) the Company shall deliver to the Agency a certificate by an Authorized Representative of the Company setting forth a complete description, including make, model and serial numbers, if any, of the Facility Equipment to be replaced and the Facility Equipment to be substituted, and the cost of each; (ii) the Company shall deliver or cause to be delivered to the Agency and the Trustee appropriate documents conveying to the Agency title to any such replacement equipment and subjecting such replacement equipment to the IDA Lease Agreement; and (iii) the Company and the Agency shall deliver or cause to be delivered to the Trustee appropriate documents subjecting such replacement equipment to the lien and security interest of the Leasehold Mortgage and the Equipment Security Agreement. Any Facility Equipment removed by the Company pursuant to the IDA Lease Agreement as described in this paragraph shall become the absolute property of the Company and may be sold or otherwise disposed of by the Company without accounting to the Agency with respect thereto. The Company agrees to pay all costs and expenses (including reasonable counsel fees and disbursements) incurred in subjecting to the IDA Lease Agreement and the lien and security interest of the Leasehold Mortgage or Equipment Security Agreement of any property installed or placed on the Premises as part of the Facility pursuant to the IDA Lease Agreement.

The Company shall have the right, (i) *provided* that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, and (ii) *provided* that any such sale shall not adversely affect operations at the Leased Facility, to compel the sale of any unit of Facility Equipment for any reason (whether during the term of the IDA Lease Agreement or at the expiration thereof). The Company shall give notice of its election to have such Facility

Equipment sold by delivering to the Agency a certificate signed by a representative of the Company (i) stating the Company's desire to have the Facility Equipment sold and that removal of such Facility Equipment will not adversely affect operations at the Leased Facility, (ii) containing a complete description, including the make, model and serial number, if any, of any Facility Equipment to be sold and (iii) setting forth the original cost of such unit of Facility Equipment.

Provided that there shall not exist and be continuing an Event of Default under the IDA Lease Agreement, the Company shall have the right (the *"Right of First Refusal"*) to purchase any unit of Facility Equipment to be sold, subject to the procedures set forth in the IDA Lease Agreement. The Right of First Refusal must be exercised by written notice to the Agency. If the Right of First Refusal is exercised, then, subject to the provisions set forth in the IDA Lease Agreement, the Agency shall convey to the Company, and the Company shall purchase from the Agency, the Agency's interest in the unit of Facility Equipment.

Upon the sale of any unit of Facility Equipment described in the third preceding paragraph: (i) the Agency shall convey the unit of Facility Equipment without representation or warranty, other than that such unit of Facility Equipment is free and clear of all liens created solely by the Agency, by a duly executed and acknowledged bill of sale of the Facility Equipment, (ii) upon the date fixed for any purchase of the Agency's interest in such unit of Facility Equipment, the purchaser shall pay to the Trustee the fair market value of such equipment as determined by the Company pursuant to a certificate of the Company, by wire transfer of immediately available funds, (iii) in the event any such purchase occurs within the three years of the acquisition of such Facility Equipment by the Agency and such acquisition was exempt from the payment of Sales and Use Taxes by virtue of the Sales Tax Letter, the Company shall pay Sales Tax Savings to the Agency in the amount equal to the Sales Tax Savings granted with respect to the acquisition of such Facility Equipment, (iv) the Agency shall execute and deliver to the purchaser, at the purchaser's expense, such other documents as the purchaser may request in order to effect such conveyances as are customary in similar transfers, and (v) the Trustee shall deposit the proceeds of the sale in any Redemption Account(s) of the Bond Fund (as specified by the Company) to be applied to the prepayment of Bonds then Outstanding. In the event that the application of such proceeds of the sale to the payment of the Bonds as described in clause (v) above would adversely affect the exclusion pursuant to Section 103(a) of the Code of interest on any Bonds from the gross income of the owners thereof for federal income tax purposes, the Company shall have the option to cause the sale of the unit of Facility Equipment (regardless of its exercise of the Right of First Refusal) and to exercise its Right of First Refusal without having the proceeds of the sale applied to the payment of the Bonds. Upon the sale of the Facility Equipment, the Company shall no longer have any obligation to the Agency with regard to such Facility Equipment under the IDA Lease Agreement.

No such removal or replacement shall be effected if (w) such removal or replacement would change the nature of the Facility as a qualified "project" as defined in and as contemplated by the Act, or change the nature of the Financed Property so that it would cease to be an exempt "airport facility" within the meaning of Section 142(a)(1) of the Code, (x) such removal or replacement would cause the Company to be in breach or default of the Port Authority Lease, the Agreement Towards Entering Into a Lease or the New City/American Lease (if then effective),

(y) such removal or replacement would impair the usefulness, structural integrity or operating efficiency of the Facility or (z) there shall exist and be continuing an Event of Default.

The Company shall not, without the prior written consent of the Agency, and except as permitted under the IDA Lease Agreement, remove any Financed Property from the Facility.

The removal from the Facility of any Facility Equipment pursuant to the IDA Lease Agreement shall not entitle the Company to any abatement or reduction in the rentals or other amounts payable by the Company under the IDA Lease Agreement.

Option to Purchase or Invite Tenders of Bonds. The Company shall have the option, at any time during the term of the IDA Lease Agreement, to purchase Bonds for its own account, whether by direct negotiation, through a broker or dealer, or by making a tender offer to the Holders thereof. In the event the Company or any Affiliate shall hold a majority in aggregate principal amount of the Bonds Outstanding for a period in excess of 180 days and the Company shall have not delivered to the Agency and the Trustee either (i) a certificate of an Authorized Representative of the Company that the reason for such holding is an inability to effect the remarketing of such Bonds at a reasonable price and that upon a return of favorable market conditions the Company intends to remarket such Bonds, or (ii) an opinion of Bond Counsel to the effect that such holding of Bonds by the Company (y) will not permanently cause the interest on the Bonds to become includable in gross income for federal income tax purposes, nor (z) adversely affect the validity of the Bonds, then the Company shall cause all such Bonds so held to be delivered to the Trustee for cancellation. The Agency shall at all times make available or cause to be made available to the Company its registration books (maintained at the principal corporate trust office of the Trustee) containing the names and addresses of the Bondholders if known.

Right to Prepay Rentals. With respect to each series of Bonds, the Company shall have the option to make prepayments of rent under the IDA Lease Agreement. Any such prepayment shall be deposited in the applicable Redemption Account of the Bond Fund (as specified by the Company) to effect the defeasance of the lien of the Indenture with respect to such series in whole or the redemption in whole or in part of such series of Bonds, all in accordance with the terms of the Indenture; *provided, however,* that no optional partial redemption of Bonds may be effected through advance rental payments under the IDA Lease Agreement if there shall exist and be continuing an Event of Default with respect to the Bonds. The Company shall exercise its option to make such advance rental payments by delivering a written notice of an Authorized Representative of the Company to the Trustee in accordance with the Indenture, with a copy to the Agency, setting forth (i) the amount of the advance rental payment, (ii) the principal amount and series of Bonds Outstanding requested to be redeemed with such advance rental payment (which principal amount shall be in such minimum amount or integral multiple of such amount as shall be permitted in the Indenture), (iii) in the case of any partial redemption, the maturities of principal amounts of Bonds of such series and maturities to be redeemed, and (iv) the date on which such principal amount of Bonds are to be redeemed, which date shall not be sooner than 40 days from the date of such Company notice. Such advance rental payment shall be paid to the Trustee in immediately available funds on or before the redemption date and shall be in an amount that, when added to the amount on deposit in the Bond Fund and available therefor, will

be sufficient to pay the redemption price of the Bonds to be redeemed, together with interest to accrue to the date of redemption and all expenses of the Agency (in the event of a redemption in whole or defeasance of the lien of the Indenture), the Bond Registrar, the Trustee and the Paying Agents in connection with such redemption. In the event all the Bonds are to be redeemed in whole or otherwise retired, the Company shall further pay on or before such redemption date, in legal tender, to the Agency, the Trustee, the Bond Registrar and the Paying Agents, as the case may be, all fees and expenses owed such party or any other party entitled thereto under the IDA Lease Agreement or the Indenture together with all other amounts due and payable under the IDA Lease Agreement and the other Security Documents.

Force Majeure. In case by reason of force majeure either party to the IDA Lease Agreement shall be rendered unable wholly or in part to carry out its obligations under the IDA Lease Agreement, then except as otherwise expressly provided in the IDA Lease Agreement, if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligations of the party giving such notice (other than the obligations of the Company to make the rental payments or other payments required under the IDA Lease Agreement, or to comply with the sections described under "—Maintenance, Taxes and Insurance—*Insurance*," "—Particular Covenants—*Indemnification*," "—Particular Covenants—*Company's Covenants as to Tax Exemption*" and "—Particular Covenants—*Certain Covenants with Respect to the Port Authority Lease, the Leasehold Mortgage, the City Attornment Agreement, the New City/American Lease and the Agreement Towards Entering Into a Lease*," and the sections of the IDA Lease Agreement regarding compensation and expenses, filings, discharge of liens and non-recourse to the officers and directors of the Agency), so far as they are affected by such force majeure, shall be suspended during the continuance of the inability then claimed which shall include a reasonable time for the removal of the effect thereof, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, terrorism, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraining of government and people, civil disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of existing or impending strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the party having the difficulty and that the above requirements that any force majeure shall be reasonably beyond the control of the party and shall be remedied with all reasonable dispatch shall be deemed to be fulfilled even though such existing or impending strikes, lockouts and other industrial disturbances may not be settled but could have been settled by acceding to the demands of the opposing person or persons.

Termination of the Agreement. After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Master Indenture, the Company may terminate the IDA Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under the IDA Lease Agreement and the other Security Documents, together with any amounts

required to be rebated to the federal government pursuant to the Indenture or each of the applicable Tax Certificates and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of certain obligations of the Company under the IDA Lease Agreement.

Assignment or Sublease. (a) The Company shall not sublet nor permit to be sublet all or substantially all of the Facility, without the prior written consent of the Agency (which consent shall not be unreasonably withheld or delayed). No consent of the Agency shall be required for any subletting by the Company of less than all or substantially all of the Facility.

(b) No consent of the Agency shall be required for any assignment or transfer of the IDA Lease Agreement pursuant to the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company.*"

(c) Any assignment or transfer of the IDA Lease Agreement (other than as described in clause (b) above) shall require the prior written consent of the Agency which consent shall not be unreasonably withheld or delayed.

(d) With respect to any subletting in whole or in part of the Facility, the Company shall nevertheless remain liable to the Agency for the payment of all rent and for the full performance of all of the terms, covenants and conditions of the IDA Lease Agreement and of the Leasehold Mortgage or any other Security Document to which it shall be a party.

(e) With respect to any assignment or transfer of the IDA Lease Agreement for which no consent of the Agency shall be required as above described, or for which consent of the Agency shall be both required and have been given, such assignee or transferee of the Company shall assume in writing and agree to keep and perform all of the terms of the IDA Lease Agreement on the part of the Company to be kept and performed from the date of original execution and delivery of the IDA Lease Agreement.

(f) In addition to the conditions described above for any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer pursuant to the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*"), or any subletting in whole or in part of the Facility, the following conditions, as applicable, shall also apply:

(i) any sublessee in whole of the Facility and any assignee or transferee of the IDA Lease Agreement shall in each case be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State,

(ii) in the case of any assignment or transfer, there shall be delivered to the Agency and the Trustee (y) a Favorable Opinion of Bond Counsel and (z) an Opinion of Counsel to the assignee or transferee of the IDA Lease Agreement to the effect that such Person has duly and validly assumed all obligations of the Company under the IDA Lease Agreement and that such assumption constitutes the valid and binding obligation of such Person enforceable against such Person in accordance with its terms,

(iii) in the case of any Sublease in whole of the Facility, there shall be delivered to the Agency and the Trustee (x) an Opinion of Counsel to the Company to the effect that the IDA Lease Agreement continues in full force and effect as the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, and (y) a Favorable Opinion of Bond Counsel,

(iv) any assignee, transferee or sublessee shall agree to use the Facility as a qualified "project" within the meaning of the Act,

(v) any assignment, transfer or sublease shall not violate any provision of the Basic Lease, the Port Authority Lease, the Company Sublease, the Port Authority Consent, the Agreement Towards Entering Into a Lease, the City Attornment Agreement, the New City/American Lease (if then effective), the IDA Lease Agreement, the Leasehold Mortgage or any other Security Document,

(vi) in the case of any sublease, such sublease shall in no way diminish or impair the Company's obligation to carry the insurance required under the IDA Lease Agreement and described herein"—Maintenance, Taxes and Insurance—*Insurance,*"

(vii) in the case of any assignment, transfer or sublease in whole or substantially in whole, there shall have been delivered to the Trustee written evidence from each Rating Agency by which the Bonds are then rated to the effect that such action will not result in the reduction or withdrawal of the then applicable rating(s) on the Bonds, and

(viii) at least ten Business Days prior to the execution of any proposed assignment, transfer or sublease, the Company shall furnish to the Agency a substantially final draft of same, and, after execution thereof, shall then furnish a copy of such executed document.

Any consent by the Agency to any act of assignment, transfer or sublease shall be held to apply only to the specific transaction thereby authorized. Such consent shall not be construed as a waiver of the duty of the Company, or the successors or assigns of the Company, to obtain from the Agency, to the extent required under the IDA Lease Agreement, consent to any other or subsequent assignment, transfer or sublease, or as modifying or limiting the rights of the Agency under such covenant by the Company set forth in the IDA Lease Agreement.

Notwithstanding any assignment or transfer of the IDA Lease Agreement (other than an assignment or transfer of the IDA Lease Agreement by operation of, and effected in accordance with the requirements of, the provisions of the IDA Lease Agreement described herein under "—Particular Covenants—*Dissolution or Merger of Company; Restrictions on Company*"), the assigning or transferring Company shall not be released from its obligations to make rental payments pursuant to the IDA Lease Agreement described herein under "—Issuance of Bonds and Additional Bonds, Lease of Facility and Rental Provisions—Rental Provisions" unless 100% of the Holders of Outstanding Bonds shall have consented to such release.

Benefit of and Enforcement by Trustee. The Agency and the Company agree that the IDA Lease Agreement is executed in part to induce the purchase by others of the Bonds and for the further securing of the Bonds, and accordingly all covenants and agreements on the part of the Agency and the Company (except to the extent of any of the Agency's Reserved Rights that are stated in the Indenture to be enforceable only by the Agency) as set forth in the IDA Lease Agreement are declared to be for the benefit of the Holders from time to time of the Bonds and may be enforced as provided in the Indenture on behalf of the Bondholders by the Trustee.

No Recourse under the IDA Lease Agreement or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the IDA Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency, and not of any member, director, officer, employee or agent of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installments, redemption premium, if any, or interest on, the Bonds or for any claim based thereon against any member, director, officer, employee or agent of the Agency or any natural person executing the Bonds.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or complete. Reference is made to the Indenture for full and complete provisions.

Authorization and Issuance of Bonds

Authorized Amount of Bonds; Pledge Effected by the Master Indenture. The Bonds will be issued in multiple series as provided in the Indenture. No Bond of any series may be authenticated and delivered under the Indenture except in accordance with the terms of the Indenture. Except as provided in the Indenture, the total aggregate principal amount of Bonds of any series that may be authenticated and delivered under the Indenture is limited to $2.3 billion.

The proceeds of the Bonds deposited in the Project Fund and certain of the lease rentals, receipts and revenues payable by the Company under the IDA Lease Agreement, including moneys which are required to be set apart, transferred and pledged to the Bond Fund, to the Lease Payments Fund or to certain special funds (including the investments, if any, thereof) (subject to disbursements from such Funds in accordance with the provisions of the Indenture, and when so disbursed, such amounts shall automatically be released from the lien and security interest of the Indenture) are pledged by the Indenture for the payment of the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, price of, and interest on the Bonds. Amounts in the Rebate Fund (including amounts on deposit therein) shall not be subject to any assignment, pledge, lien or security interest in favor of the Trustee or any Bondholder or any other Person.

Except as may otherwise be expressly provided in the Indenture, each series of Bonds shall be entitled to the benefit of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, price of, and the interest thereon. Each series of Bonds issued under the Indenture shall be secured by the Guaranties and the obligations of the Company and AMR under their respective Guaranties will be secured by the Leasehold Mortgage; but as provided in Section 92, the Port Authority Consent and the Leasehold Mortgage shall not attach, and the Leasehold Mortgagee shall have no rights under the Leasehold Mortgage, the Leasehold Mortgage shall not be dated, executed, delivered or recorded and the Reletting Rights shall not be exercisable until the Reletting Rights Effective Date. Each series of Bonds issued under the Indenture shall be special obligations of the Agency, secured and payable (except to the extent payable out of proceeds from the sale of such series of Bonds or the income from the temporary investments thereof) by the Agency solely out of the revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture and from any amounts otherwise available under the Indenture for the payment of such Bonds, from amounts payable under the Guaranties, from amounts payable under the Equipment Security Agreement and from amounts payable to the Trustee as Leasehold Mortgagee under the Leasehold Mortgage. The Bonds shall be additionally secured by a pledge and assignment of the Agency's right, title and interest in and to the IDA

Lease Agreement (excluding the Agency's Reserved Rights) and, except for the Equipment Security Agreement, shall not be secured by any other lien on or security interest or other possessory interest in the Facility or by any leasehold interest of the Port Authority, the Company or the Agency or any fee or leasehold interest of the City in the Facility. In the event the Company shall fail to make any payment under the IDA Lease Agreement or shall otherwise default under the IDA Lease Agreement, and, as a result thereof, the principal of the Bonds is declared or becomes due and payable, none of the Agency, the Trustee (except as mortgagee under the Leasehold Mortgage and except as secured party under the Equipment Security Agreement), or any Holder of any of the Bonds shall have any rights or remedies with respect to the Facility or leasehold interest of the Port Authority, the Agency or the Company or any fee or leasehold interest of the City but shall only have the rights under the IDA Lease Agreement (exclusive of Possessory Rights and Remedies and subject to the provisions of the Indenture described below under "—Events of Default; Remedies—*Limitation of Remedies*"), including the right to enforce against the Company the obligation of the Company to pay lease rental payments sufficient to enable the Agency to pay the principal, redemption price, if applicable, Sinking Fund Installments, if applicable, purchase price of, and interest on the Bonds and the right under the Indenture to realize upon any of the Funds. Except as set forth in Section 92 and any corresponding provision of the New City/American Lease, neither the Port Authority nor the City shall have any obligation whatsoever with respect to the Bonds. All covenants, stipulations, promises, agreements and obligations of the Agency contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Redemption Price and Sinking Fund Installments, if any, of and interest on the Bonds or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds.

The Bonds shall never constitute a debt of the State nor the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds of the Agency other than those pledged therefor.

Any payments paid to the Trustee by the Company are deemed paid by the Agency and any payments made to the Company by the Trustee are deemed paid by the Trustee to the Agency and by the Agency to the Company.

Supplemental Indentures. Each series of Bonds issued under the Indenture shall be issued pursuant to an applicable Series Supplemental Indenture authorizing the issuance of such series of Bonds. Each Series Supplemental Indenture shall specify the following:

(1) The authorized principal amount of such series of Bonds.

(2) The purpose or purposes for which such series of Bonds is being issued, which shall be limited to the purpose of payment or reimbursement of Project Costs.

(3) The dated date or dates, the maturity date or dates and principal amounts of each maturity of the Bonds of such series, the amount and date of each Sinking Fund Installment, if any, and the Record Date or Record Dates of the Bonds of such series.

(4) The interest rate or rates, if any, of the Bonds of such series or the manner of determining such rate or rates, the date from which interest on the Bonds of such series shall accrue, the first date on which interest on the Bonds of such series are payable and the date or dates on which the interest rate on Bonds bearing a variable rate of interest are adjusted and the date or dates on which interest on such Bonds are paid, or the manner of determining the same and the manner in which interest is to be paid on such Bonds.

(5) The provisions regarding tender for purchase or redemption thereof and payment of the purchase price or redemption price thereof, if any, *provided* that each Series Supplemental Indenture shall contain the following redemption provisions:

(i) in the event that the Company Sublease shall have terminated, the Bonds shall be subject to mandatory redemption in whole prior to maturity at a redemption price equal to 100% of the unpaid principal amount of the Bonds, together with accrued interest to the date of redemption, and without premium;

(ii) in the event that any portion of the Leased Facilities is released from the Port Authority Lease or the New City/American Lease as the case may be, the Company Sublease and the IDA Lease Agreement, and such release constitutes a Major Release, the Bonds shall be subject to mandatory redemption at par in a principal amount (rounded down to the nearest authorized denomination) equal to the Release Price; and

(iii) the Bonds shall be subject to extraordinary mandatory redemption prior to maturity at any time at a redemption price of 100% of the unpaid principal amount thereof plus accrued interest thereon, if any, to the redemption date to the extent and as soon as practical following the Trustee's receipt of any moneys received by the Trustee as a result of the exercise by the Port Authority of its purchase rights under Section 92(v) of the Port Authority Lease or the exercise by the City of any comparable purchase rights contained in the New City/American Lease.

(6) The denomination or denominations of and the manner of numbering and lettering the Bonds of such series.

(7) The redemption price or redemption prices, if any, and, subject to the article of the Master Indenture entitled "Redemption of Bonds," the redemption terms, if any, for the Bonds of such series.

(8) Provisions for the sale of the Bonds of such series and for the delivery thereof.

(9) The form of the Bonds of such series and the form of the Trustee's certificate of authentication thereon, and whether any Bonds of such series are to be available only through the Book-Entry-Only System and the depository therefor; *provided,* that, each Bond shall contain the following provision:

> "Each Holder of this Bond (by the purchase or transfer and acceptance hereof) acknowledges and agrees that the IDA Lease Agreement and the Company Sublease are and will be subject in all respects to the terms and conditions of the Basic Lease, the Port Authority Lease and the Port Authority Consent and upon the effectiveness thereof, the New City/American Lease and, except with respect to the City Attornment Agreement or except upon the effectiveness of the New City/American Lease, the termination or expiration of the Basic Lease or the Port Authority Lease may result in the termination of the IDA Lease Agreement and the Company Sublease in accordance with the provisions thereof; *provided, however,* that no such termination will relieve the Company from its obligations to pay rent under the IDA Lease Agreement, including under Section 3.4 or 3.8 of the IDA Lease Agreement, or release the Company or AMR from its guaranty obligations under the Guaranties. Each Holder of this Bond (by purchase or transfer and acceptance hereof) acknowledges that, the only right and interest that the Agency shall have in the Leased Facilities is to sublease the Leased Facilities to and from the Company and impose upon the Company the obligations set forth in the IDA Lease Agreement. Each Holder of this Bond (by purchase or transfer and acceptance hereof), further agrees that neither the Agency, the Bondholder, nor the Trustee (except as Leasehold Mortgagee under and pursuant to the Leasehold Mortgage) shall have any other interest in the Leased Facilities or the Port Authority Lease (including, but not limited to, any rights to perform the rights or obligations of the Company under the Port Authority Lease (except for those rights pursuant to the Leasehold Mortgage or Section 92) or otherwise, any rights of possession, entry, re-entry, redemption, eviction or regaining or resumption of possession, any right to the appointment of a receiver or to sell, convey, transfer, mortgage, acquire, pledge, assign, let or resublet the Leased Facilities, the Project or the Port Authority Lease or any part thereof or any rights created thereby or the letting thereunder) under (i) the Financing Documents, (ii) the Act, (iii) the Real Property Actions and Proceedings Law of the State or (iv) the Real Property Law of the State; or otherwise. Further, the Bondholder acknowledges that it shall not have any claim, interest, remedy, right or action against the Port Authority or the Leased Facilities or under the Port Authority Lease at law or in equity arising out of or in connection with the Act, the Financing Documents or the

Project (other than the interests, rights and remedies granted to the Leasehold Mortgagee under or pursuant to the Leasehold Mortgage or Section 92). In addition to and without limiting the foregoing, the Bondholder hereby acknowledges and agrees that in the event there shall be a conflict between the provisions of the Leasehold Mortgage and Section 92 of the Port Authority Lease, Section 92 of the Port Authority Lease shall govern. Copies of the Indenture, the Basic Lease, the Port Authority Lease, the Company Sublease, the IDA Lease Agreement, the Leasehold Mortgage and the Port Authority Consent are on file at the principal corporate trust office of the Trustee in New York, New York and reference is made to such documents for the provisions relating, among other things, to the terms and security of the Bonds, the charging and collection of rentals for the Facility, the custody and application of the proceeds of the Bonds, the rights and remedies of the Holders of the Bonds, and the rights, duties and obligations of the Agency, the Company, the City of New York, the Port Authority, and the Trustee. Except as set forth in Section 92 of the Port Authority Lease, the Port Authority shall have no obligation whatsoever with respect to the Bonds, the Bondholders or the Trustee."

(10) Directions for the application of the proceeds of the Bonds of such series.

(11) The maximum maturity date for the Bonds which shall not exceed December 1, 2036.

(12) Any other provisions deemed advisable by an Authorized Representative of the Agency, not in conflict with the provisions of the Indenture or of any Series Supplemental Indenture.

All Bonds of a series of like maturity shall be identical in all respects, except as to denominations, numbers and letters, and except that Bonds of a series of like maturity may be Bonds which bear a variable rate of interest and Bonds which bear interest at a fixed rate.

Custody and Investment of Funds

Creation of Funds and Accounts. The Agency hereby establishes and creates the following special trust Funds (and authorizes the creation of the following Accounts comprising such Funds):

(1) Project Fund

(a) Construction Account
(b) Capitalized Interest Account

(2) Bond Fund

(a) Principal Account
(b) Interest Account
(c) Redemption Account
(d) Sinking Fund Installment Account

(3) Rebate Fund

(4) Lease Payments Fund

(5) Debt Service Reserve Fund

(6) Mortgage Reserve Fund

(a) Foreclosure Payment Account

All of the Funds and Accounts created under the Indenture shall be held by the Trustee, or in one or more depositories in trust for the Trustee. All moneys and investments deposited with or in trust for the Trustee shall be held in trust and applied only in accordance with the Indenture and shall be trust funds for the purposes of the Indenture.

Project Fund. As soon as practicable after the delivery of a series of Bonds, the Trustee shall deposit in the appropriate Account in the Project Fund the amount required to be deposited therein pursuant to the applicable Series Supplemental Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee for the benefit of the Holders of the Bonds until disbursed as provided in the Indenture. The Trustee shall apply the amounts in each Construction Account of the Project Fund to the payment of Project Costs relating to the Project, or reimbursement of Project Costs relating to the Project to the extent the same have been paid by or on behalf of the Company (as agent of the Agency) or the Agency. The Trustee shall apply any amounts held in each applicable Capitalized Interest Account in accordance with the Indenture.

The Trustee is authorized by the Indenture to disburse from each Construction Account (as designated by the Company pursuant to a requisition submitted under the Indenture) of the Project Fund the amount required for the payment of Project Costs relating to the Project and is directed to issue its checks, or, at the request of the Company (as agent of the Agency) or the Agency, to wire funds, for each disbursement from each Construction Account of the Project Fund, upon a requisition submitted to the Trustee and signed by an Authorized Representative of the Company (as agent of the Agency). The Trustee will not be required to issue such disbursement sooner than five Business Days after the submission of such requisition. Such requisition shall be substantially as set forth in the Form of Requisition attached to the Indenture as Appendix B. Each such requisition shall be accompanied by bills or invoices (stamped "paid" if reimbursement is to be made to the Company) supporting Project Costs relating to the Project to which such requisition pertains. The Trustee shall be entitled to conclusively rely on such requisition. The Trustee shall keep and maintain adequate records pertaining to each Construction Account of the Project Fund and all disbursements therefrom.